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MEMORANDUM

Arizona Corporation Commission

DOCKETED

APR 15 2011

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TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

DATE: April 15, 2011

RE: STAFF REPORT IN THE MATTER OF THE INVESTIGATION OF THE FAILURE OF BELLEMONT WATER COMPANY, AN ARIZONA PUBLIC SERVICE CORPORATION, AND BELLEMONT WATER COMPANY SHAREHOLDERS BRAD NESS, GLORIA NESS, ERIK NESS, DIANAH NESS (AKA DIANA NESS), OPERATING AS AN ARIZONA PUBLIC SERVICE CORPORATION IN FACT, TO COMPLY WITH ARIZONA STATUTES AND COMMISSION RULES AND REGULATIONS, DOCKET NO. W-02526A-10-0499.

Attached is the Staff Report regarding Staff's investigation of the Bellemont Water Company. As indicated in the Request for Preliminary Injunction that is being filed concurrently with this Staff Report, Staff recommends certain officers be enjoined from accessing Company funds and that the certain officers be ordered to account for misappropriated funds and to repay funds associated with indebtedness by the Company without Commission approval.

Any party wishing to file comments regarding the Staff Report may do so by filing those comments with the Arizona Corporation Commission's Docket Control by April 21, 2011.

SMO:GWB:kdh

Originator: Gerald W. Becker

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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Service List for: Bellemont Water Company
Docket No. W-02526A-10-0499

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**STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION**

BELLEMONT WATER COMPANY

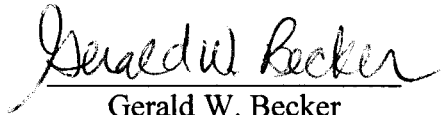
DOCKET NO. W-02526A-10-0499

**IN THE MATTER OF THE INVESTIGATION OF
THE FAILURE OF BELLEMONT WATER
COMPANY, AN ARIZONA PUBLIC SERVICE
CORPORATION, AND BELLEMONT WATER
COMPANY SHAREHOLDERS BRAD NESS,
GLORIA NESS, ERIK NESS, DIANAH NESS (AKA
DIANA NESS), OPERATING AS AN ARIZONA
PUBLIC SERVICE CORPORATION IN FACT, TO
COMPLY WITH ARIZONA STATUTES AND
COMMISSION RULES AND REGULATIONS**

APRIL 15, 2011

STAFF ACKNOWLEDGMENT

The Staff Report for Bellemont Water Company, Docket No. W-02526A-10-0499, was the responsibility of the Staff member listed below.

A handwritten signature in cursive script, reading "Gerald W. Becker". The signature is written in dark ink and is positioned above a horizontal line.

Gerald W. Becker
Public Utilities Analyst V

**EXECUTIVE SUMMARY
BELLEMONT WATER COMPANY
DOCKET NO. W-02526A-10-0499**

Bellemont Water Company ("BWC" or "Company") is located about ten miles southwest of Flagstaff, Arizona, in Coconino County. The Company is engaged in the business of providing utility water service to eight metered customers and standpipe service to non-captive customers.

On May 20, 2009, Bellemont filed an application with the Arizona Corporation Commission ("Commission") in Docket No. W-02526A-09-0253, requesting authorization to execute a loan agreement with the Water Infrastructure Finance Authority of Arizona ("WIFA") in the amount of \$1.75 million.

On September 3, 2009, Bellemont filed a permanent rate application with the Commission in Docket No. W-02526A-09-0421. A Procedural Order, dated October 19, 2009, granted the Company's request to consolidate the permanent rate and financing applications.

Both of the aforementioned proceedings resulted in Decision No. 71868 which denied the financing application and ordered a rate decrease. Decision No. 71868 also reiterated some of the terms and conditions of Decision No. 70482 which included a requirement that BWC deposit all standpipe revenue in a separate interest-bearing account and that such funds shall be used exclusively for design, approval and construction of a new water source.

At the August 24, 2010 Commission Open Meeting, Klaudia Ness, BWC Secretary, made several allegations regarding mishandling of Company funds. The Commission subsequently directed Staff to investigate the allegations of mismanagement made at the Open Meeting.

After investigating this matter, Staff found BWC and certain of its shareholders and officers to have violated several Commission orders, rules, and statutes as set forth in the Complaint filed on December 16, 2010, in this docket. Those violations include:

1. failing to comply with Commission Decision Nos. 70482 and 71868, regarding the standpipe revenues;
2. incurring long-term debt without obtaining Commission approval;
3. and failing to provide a completed 2009 Utilities Division Annual Report.

In addition, Staff determined that certain of the shareholders and officers have failed to maintain the formalities of a separate corporate existence as evidenced by the use of corporate funds to pay personal expenses and personal debt, the sale of significant corporate property without Corporate Resolution in advance of the sale and the acceptance of funds from said sale in the personal name of one of the shareholders instead of the Corporate name.

Staff also learned through the course of the investigation that certain BWC shareholders continue to violate Commission orders, rules, and applicable statutes. Staff concludes that the

continuation of these practices poses a serious threat to the Company's financial health and, consequently, to the continued provision of safe and reliable water service. Therefore, in addition to the relief requested in the Complaint of December 16, 2010, Staff recommends that certain shareholders be immediately enjoined from further access to the Company funds. Staff is filing concurrently in this docket a motion requesting that a preliminary injunction be issued:

- (1) Enjoining the Company from allowing Brad Ness, Gloria Ness, Erik Ness, or Dianah Ness access to Company funds and bank accounts until further order of the Commission.
- (2) Enjoining Brad Ness, Gloria Ness, Erik Ness, and Dianah Ness from accessing all Company revenues and bank accounts until further order of the Commission.

The following staff report provides the factual background to support the allegations made in Staff's complaint and Staff's request for the preliminary injunction.

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INTRODUCTION

Bellemont Water Company ("BWC" or "the Company"), a subchapter "C" Corporation, was incorporated in Arizona in 1989. BWC has operated under a certificate of convenience and necessity ("CC&N") which was originally granted in Arizona Corporation Commission ("Commission") Decision No. 58079, dated November 12, 1992. The CC&N was conditioned upon compliance with Arizona law and Commission rules. The Company is a Class D utility providing water service to eight metered commercial customers and standpipe service to non-captive customers approximately ten miles southwest of Flagstaff in Coconino County, Arizona.

On September 3, 2008, Commission Decision No. 70482 authorized the Company to charge a standpipe water service rate of \$15.00 per 1,000 gallons. This authorization contained several conditions pertaining to the handling and use of the funds received.

On September 3, 2009, the Company filed an application for a rate increase and application for approval to incur long-term debt from the Water Infrastructure Finance Authority of Arizona. The Staff report was filed on February 10, 2010, recommending a rate decrease and a denial of financing. On February 25, 2010, Staff filed a supplemental Staff Report clarifying water hauling surcharge language and standpipe conditions.

At the August 24, 2010 Open Meeting, Company President Brad Ness and Company Vice President Eric Ness were present. Additionally Rodney Wilson and Klaudia Ness, BWC Secretary, appeared telephonically. Klaudia Ness alleged that there had been some mishandling of Company funds, specifically that BWC funds had been used by Company president Brad Ness to make payments on personal debt owed to the McClain family by certain Ness family members. Klaudia Ness also stated that the standpipe service meter was within Brad Ness' sole control and that she was concerned that standpipe revenue was not being deposited into the separate standpipe service meter bank account. She stated that approximately \$6,000 of standpipe revenue was unaccounted for. The Commission voted on the rate and financing applications and issued Decision No 71868. That Decision specifically reaffirmed the Commission's previous order regarding use of standpipe revenue. Additionally, the Commission directed Staff to investigate the allegations of mismanagement made at the Open Meeting. Subsequently, Staff requested that the instant docket be opened to monitor the status and results of the investigation. Staff filed a complaint on December 16, 2010.

A procedural conference was held on February 8, 2011, attended by Staff and Staff counsel, as well as all respondents named in the complaint. A subsequent procedural order, issued February 16, 2011, set filing dates and a date for hearing in this matter.

COMPLIANCE

A review of the Utility Division Compliance section database revealed that the Company has not submitted a completed Utilities Division Annual Report for 2009 which was due on April 15, 2010.

STAFF'S INVESTIGATION

On September 13, 2010, Staff mailed data requests via certified mail to BWC, Klaudia Ness, Brad Ness, Elliott Ness, and Erik Ness. On October 1, 2010, Staff received a response to the data request via fax from Klaudia Ness. In her written response, Klaudia Ness reiterated allegations of inappropriate handling of Company funds. Company President Brad Ness and Vice President Erik Ness submitted responses on November 5 and November 9, 2010, respectively. In response to Staff's requests for information regarding proper accounting of standpipe sales and metered water sales, both Brad Ness and Erik Ness responded: "Still researching this matter in order to be in full compliance."¹

On October 13, 2010, Staff met with Klaudia Ness and Rodney Wilson at the offices of Rodney Wilson in Flagstaff, AZ, and conducted a limited review of the Company's books and records. Ms. Ness and Mr. Wilson provided significant documentation to support their prior allegations of mismanagement.

On November 4, 2010, Staff conducted a telephonic meeting with Brad Ness. During that call, Brad Ness stated that he had used monies collected from the standpipe service to pay attorney's fees related to a foreclosure lawsuit involving the purchase of shares of BWC stock from the McClain family.²

On December 16, 2010, Staff filed a complaint in this docket. Various parties submitted written responses to that complaint. Additionally, during a 30-minute recess at the Procedural Conference on February 8, 2011, Staff and respondents met and held discussions regarding the claims made in the complaint.

OWNERSHIP HISTORY AND MANAGEMENT

Prior to the purchase of any shares of the Company's stock by the Ness family, the ownership of BWC, as of September 22, 2005, was as follows:

<u>OWNER</u>	<u>SHARES</u>
William Bones Investment Company ("Bob Bones")	88,000
George Wong	28,786
Nona McClain (part of McClain Family)	55,679
Donna Kertman (part of McClain Family)	12,500
Rosalind Racher-Kirk (part of McClain Family)	12,500
Linda Celidonio (part of McClain Family)	12,500
Jason McClain (part of McClain Family)	12,500

¹ See Exhibit 1, Responses of Brad and Erik Ness to Staff Data Request, STF 1.11 dated September 11, 2010. The response dated September 30, 2010 from Klaudia Ness is also included.

² See Exhibit 2, Affidavit of Al Amezcua.

Lloyd Racher (part of McClain Family)	<u>12,500</u>
Total	234,965

Around 2006, the Ness family (Brad Ness, Gloria Ness, Erik Ness, Dianah Ness, Elliott Ness, and Klaudia Ness) purchased 118,179 shares of BWC stock from various members of the McClain family, leaving George Wong and Bob Bones as minority owners, with collective ownership of 116,786, or 49.7 percent, of the 234,965 shares then issued and outstanding. This purchase by the Ness family represented approximately 50.3 percent of the 234,965 outstanding shares of stock.

In 2007, Brad Ness sold a parcel of BWC property to Mr. Lerry Oldaker for \$130,000. Brad Ness personally received the proceeds of the sale and reportedly used \$87,500 of the \$130,000 to purchase the 88,000 shares of BWC stock previously owned by Bob Bones.³ Staff is unsure whether the distribution of those shares has yet been executed, as Klaudia Ness, Secretary, was unable to provide an updated shareholder list or copies of Stock Certificates.

The Ness family members failed to meet their obligation to the McClains for the original stock purchase and, in June of 2010, the McClains filed a complaint in Coconino County Superior Court against Brad Ness, Gloria Ness, Erik Ness, Dianah Ness, Elliott Ness, Klaudia Ness, and BWC, alleging breach of contract and unjust enrichment for failure to pay the entire promissory note. The complaint proceeding ended in settlement, with the Ness family shareholders retaining their ownership.

The Company's current shareholders are Brad Ness, Gloria Ness, Erik Ness, Dianah Ness, Elliott Ness, Klaudia Ness and George Wong. BWC's 2010 Annual Report filed with the Commission's Corporations Division indicates that BWC's officers are Brad Ness (President), Erik Ness (Vice President), Elliott Ness (Treasurer), and Klaudia Ness (Secretary). However, Staff has now been informed that BWC recently elected new officers. According to representations made by BWC at the Procedural Conference on February 8, 2011, the new officers are Erik Ness (President), Elliott Ness (Vice President), Gloria Ness (Treasurer), and Klaudia Ness (Secretary). To date, however, that change of officers is not yet reflected in the Company's Corporations Division filings.

Klaudia Ness is the Company's sole employee. She is responsible for the Company's day to day operations with the exception of the standpipe revenue account, which the latest information indicates is currently in the control of Elliott Ness.

SUMMARY OF CONCERNS

During the course of Staff's investigation, Staff became aware of serious operating and management issues at BWC. Staff's concerns include the following:

³ Exhibit 3, Purchase Agreement dated October 25, 2007.

1. Incurrence of long term debt without Commission approval. Further, this long term debt was incurred to pay the personal debt of the Ness shareholders and there is no evidence of a corporate resolution authorizing such transactions.
2. Misuse and misappropriation of standpipe revenues.
3. Failure to maintain the formalities of a separate corporate existence, including the commingling of personal and corporate funds, diversion of corporate property for shareholders' personal benefit and intermixing shareholders' actions with those of the corporation.
 - a. Use of Company earnings to pay personal expenses of shareholders.
 - b. Sale of Company property without a timely Corporate Resolution authorizing the sale and use of the proceeds to purchase stock without proper allocation to the remaining minority shareholder.

Incurrence of Long-Term Debt Without Approval

A public service corporation may incur long-term debt only when authorized by an order of the Commission.⁴ Further, before incurring such debt, the public service corporation must first secure an order from the Commission authorizing such debt, and stating the amount of debt, the purpose of the debt, and that, in the Commission's opinion, the debt is reasonably necessary or appropriate for that purpose.⁵

As discussed above, in approximately September of 2006, individual members of the Ness family purchased 118,179 shares of BWC stock for \$150,000 from various members of the McClain family through a stock purchase agreement. The terms of the purchase included an initial down payment, a promissory note for a single payment of \$20,000 one year later, and \$110,000 of long-term debt in the form of a promissory note.

From December 17, 2007, to September 23, 2009, BWC funds were used to pay approximately \$16,590.92 of the Ness Family Shareholders' personal indebtedness to the McClains.⁶ However, the Ness Family Shareholders did not continue to keep up their obligation to the McClains. In June of 2010, the McClains filed a Superior Court complaint against the Ness family members, and BWC, alleging a breach of contract for failure to pay in full the entire \$110,000 promissory note and for violation of the security agreement associated with the original stock purchase.

In order to pay the personal debt owed to the McClain family and to avoid foreclosure by the McClains, on August 31, 2010, Brad Ness, Gloria Ness, Erik Ness, Dianah Ness and BWC secured long-term financing from Steven and Janet Adams. Then on September 13, 2010, Brad

⁴ A.R.S. § 40-301(A).

⁵ A.R.S. § 40-302(B).

⁶ Exhibit 8 Transactions by Account Report. Page 2 of Exhibit 8 (prepared by Staff) depicts separately those transactions that comprise the \$16,590.92.

Ness, Gloria Ness, Erik Ness, and Dianah Ness amended the loan to remove the Ness family members and name BWC as the sole borrower.⁷

Staff has reviewed the Company's cases on e-Docket and has determined that BWC did not obtain the required authorization to issue any indebtedness. Staff is also concerned that, in addition to being obtained without Commission approval, this loan was used to finance the personal debt of the Ness family shareholders and appears to serve no legitimate utility purpose. Further, there is no evidence of a corporate resolution authorizing certain members of the Ness family to engage in this transaction.

Misuse of Standpipe Revenues

A.R.S. § 40-202(L) requires all public service corporations to comply with the orders, decisions, rules and regulations of the Commission.

In Decision Nos. 70482 and 71868, the Company was ordered to provide standpipe service subject to the condition, among others, that "[a]ll revenue collected from the standpipe service shall be deposited in a separate interest bearing account and such funds shall be used exclusively for the design, approval and construction of a new water source."⁸

A review of the Company's history in Docket No. W-02526A-09-0253 indicates that it had sought to borrow \$1.75 million to drill a new well. The financing request was denied and instead the Company was directed to continue the restricted segregation of standpipe revenues for the purpose of providing funds for a long-term solution to the Company's supply needs.

According to Klaudia Ness, the standpipe has a meter on it similar to an odometer on a car and provides a record of cumulative activity. During Staff's visit to the offices of the Company's CPA, Klaudia Ness provided a log of activity of the standpipe meter and account. At that time, Ms. Ness stated that Brad Ness had changed the lock on the standpipe on or about July 23, 2010, and had sole access to the monies collected there. The log indicated that \$15,274 in sales had been generated between July 23, 2010, and October 9, 2010; however, these funds had not been deposited in the separate interest bearing account as mandated by Decision No. 70482.⁹

Klaudia Ness and Rodney Wilson alleged that, on several occasions after collecting cash from the standpipe, Brad Ness went to Wells Fargo Bank with the standpipe revenues, deposited the cash, executed a withdrawal slip, and asked for a cashier's check to be drawn immediately in the same amount. There are four such transactions shown in Exhibit 6:

⁷ Exhibit 5 Loan Documentation.

⁸ Decision No. 70482 (issued Sept. 3, 2008) at 7:22-24.; Dec. No. 71868 (issued Sept. 1, 2010) at 9 23-24 and 12:11-12.

⁹ Exhibit 7, Log of Standpipe Activity. Bank statements indicate that no deposits were made to the designated standpipe account during this period. Copies of bank statements are not included here for confidentiality reasons.

<u>Date</u>	<u>Payee</u>	<u>Amount</u>
July 29, 2010	Trevis Reich	\$ 2,262.00
August 10, 2010	Trevis Reich	\$ 2,500.00
September 8, 2010	Trevis Reich	\$ 4,275.00
October 1, 2010	Pioneer Title	\$ 1,435.24
Total		\$10,472.25

The three payments totaling \$9,037 to attorney Trevis Reich were for legal expenses. According to Brad Ness, he used these monies to pay his attorney's fees associated with the foreclosure action initiated by the McClains.¹⁰ According to the Transaction by Account Report, the \$1,435.24 was to make payments on the new loan with Steven and Janet Adams.¹¹ These payments do not represent expenditures for the design, approval, or construction of a new water source.

In her response to Staff's Complaint dated December 16, 2010, Klaudia Ness stated that the practice of not depositing standpipe revenues had continued, the only difference being that the monies were now being collected by Erik Ness, the new president of BWC. Ms. Ness further stated that total funds missing were approximately \$25,000.¹² Staff reviewed the bank statements for the associated time periods and determined that there were no deposits made to the Standpipe Revenues Account until February 22, 2011 when there was a deposit of \$2,253. In a letter filed in the docket on February 14, 2011, Erik Ness stated that, on February 9, 2011, he and the new Company vice-president, Elliott Ness, removed \$1,578 from the standpipe and that, at that time, he gave custody of the standpipe keys, as well as the \$1,578, to Elliott Ness.

On March 7, 2011, Klaudia Ness provided an updated log of standpipe revenues for BWC. The updated log indicates that, during the period July 23, 2010, through February 9, 2011, the total standpipe revenues unaccounted for are \$26,190.¹³ As indicated in the Updated Log of Standpipe Activity, Klaudia Ness represents that \$21,139 is missing during the period from July 23, 2010, until November 29, 2010, when Brad Ness controlled the collection of these revenues, and \$5,051 is missing during the period from December 1, 2010, through February 1, 2011, when Erik Ness controlled the collection of these revenues, for a total of \$26,190.

The Commission restricted the Company's use of standpipe revenues in order to provide the Company a source of funds for a long-term water supply solution. Staff is concerned that the Company will be unable to pay for needed water source infrastructure in the future if the standpipe service revenue continues to be used in violation of Decision No. 71868. To date, no allegations have been made regarding Gloria Ness or Dianah Ness utilizing standpipe revenue improperly. However, as the spouses of Brad Ness and Erik Ness, respectively, Staff believes that Gloria Ness and Dianah Ness should also be enjoined from accessing the standpipe meter revenues.

¹⁰ Exhibit 2, Affidavit of Alfonso Amezcua

¹¹ Exhibit 8 Transactions by Account Report

¹² Exhibit 9, Klaudia Ness Response dated January 10, 2011. .

¹³ Exhibit 10, Updated Log of Standpipe Activity.

Failure to Maintain a Separate Corporate Existence

Use of Company Earnings for Personal Expenses

Staff has identified three main areas of concern regarding inappropriate use of Company earnings: These concerns are (1) disbursements made directly from the Company's checking account to pay the personal debt of the Ness family to the McClains (discussed above), (2) the misuse of standpipe revenues (discussed above), and (3) the use of the Company debit card to draw funds from the Company's checking account for personal expenses.

As previously noted, from December 17, 2007 to September 23, 2009, BWC funds were used to pay approximately \$16,590.90 of the Ness Family Shareholders' personal indebtedness to the McClains. These payments, apparently for the initial stock purchase transaction, were made to Pioneer Title directly from the Company's checking account.¹⁴

Further, as fully discussed above, Brad Ness used monies from the standpipe service to pay attorney's fees related to a foreclosure lawsuit involving the personal debt of Ness family members for the purchase of shares of BWC stock from the McClain family.

In regards to use of Company earnings for other personal expenses, Company representatives Klaudia Ness and Rodney Wilson provided Staff with copies of the Company's bank statements, indicating those items and amounts which they allege are for personal expenses rather than costs incurred for the provision of utility service. For the period August 9, 2009, through September 30, 2010, Company representatives identified a total of \$9,253 of personal expenses paid directly out of the Company's operating account.¹⁵ Most of the charges occurred through the use of debit cards for various items such as cell phone bills, gasoline, and trips to a casino, etc.

Sale of Land and Purchase of Treasury Stock

On August 30, 2007, Brad Ness entered into an agreement with Lerry Oldaker to sell a then landlocked parcel of land, parcel No. 204-02-001E, for a total of \$130,000.¹⁶ The parties did not use a title company in the original execution of the agreement. In this transaction, Brad Ness misrepresented himself as the legal owner of the property and received the proceeds personally. However, a warranty deed filed in the Coconino County Recorder's office on November 13, 2007 clearly indicates BWC as the seller of the parcel.¹⁷ Although a Corporate Resolution dated April 14, 2009, states that Brad Ness *had* authority to sell the property, it

¹⁴ Exhibit 8 Transactions by Account Report.

¹⁵ Allegation is supported by Company Bank Statements Showing Personal Expenses for Period of August 9, 2009 – September 30, 2010, Bank Statements are not shown, as they are voluminous

¹⁶ Exhibit 11, which also includes the check stubs for monies paid from Mr. Oldaker's business, Bellemont Truck Repair & Towing, Inc.

¹⁷ Exhibit 12, Warranty Deed filed on November 13, 2007 for the transfer of parcel No. 204-02-001E from BWC to Lerry Wayne Oldaker.

appears that Brad Ness acted without the appropriate written authority at the time of the sale.¹⁸ Further, an easement over utility company property was promised to Mr. Oldaker, but the easement was not memorialized in writing and recorded by the Coconino County Recorder until August 24, 2010.¹⁹

According to Klaudia Ness and Rodney Wilson, CPA, the proceeds from the sale were given to Brad Ness personally. They further allege that \$87,500 of the proceeds were used to buy 88,000 shares of BWC stock previously owned by Bob Bones, and these shares are reportedly being held as Treasury Stock. The Ness Family members discussed the distribution of the Treasury Stock, as indicated in BWC's minutes dated June 20, 2009.²⁰ However, a review of the Stock Purchase Agreement²¹ indicates that the purchasers of the shares are the six members of the Ness family and not BWC. There is no indication that any allocation of the proceeds was made to the remaining minority shareholder, George Wong.²²

For these reasons, Staff is unsure if the shares of Treasury Stock have been assigned to the members of the Ness family only, and whether the remaining minority shareholder, George Wong, will receive a pro rata portion of the shares of Treasury Stock, that was alleged to have been purchased with the proceeds from the sale of a Company asset. Staff's uncertainty regarding the allocation of shares of Treasury Stock is due to the absence of a current Shareholder List and/or Stock Certificates, along with the apparent contradiction in underlying circumstances whereby the Stock Purchase Agreement indicates that the shares were purchased by the Ness Family members, yet BWC's Secretary states that the shares are Treasury Stock.

A review of the Transactions by Account Report²³ indicates the difference between the proceeds from the sale of the land of \$130,000 and the cost of buying the stock from Bob Bones for \$87,500, is \$42,500, and is reflected on the records of BWC as part of the Notes Receivable-Brad.²⁴

STAFF CONCLUSIONS

Staff concludes that there is substantial evidence to support a finding that:

- BWC has violated the Commission rule related to the required filing of its 2009 Utilities Division Annual Report.
- BWC has incurred long-term debt without the required Commission authorization.

¹⁸ Exhibit 13, BWC Corporate Resolution dated April 14, 2009.

¹⁹ Exhibit 14, Easement recorded on August 24, 2010.

²⁰ Exhibit 1, Minutes of Meeting on June 20, 2009.²⁰

²¹ Exhibit 3, Stock Purchase Agreement dated October 25, 2007

²² Exhibit 4, Letter from Mary Keller-Wong (filed January 10, 2011) (stating that shareholder George Wong has received no notice or minutes of board meetings nor received any payment of any kind).

²³ Exhibit 8 Transactions by Account Report

²⁴ Exhibit 8 Transactions by Account Report

- Brad Ness, Gloria Ness, Erik Ness, and Dianah Ness have caused BWC to incur long-term debt without the required Commission authorization.
- BWC has violated Commission orders related to the restricted handling and use of standpipe revenues.
- Brad Ness and Erik Ness have violated Commission orders related to the restricted handling and use of standpipe revenues.
- BWC and its officers failed to maintain the formalities of a separate corporate existence.
- Company earnings have been diverted for shareholders' personal use, unrelated to the operations of the utility.
- Brad Ness and Erik Ness have caused Company earnings to be diverted for their personal use, unrelated to the operations of the utility.
- The continuation of the identified inappropriate financial practices of the Company and certain of its officers poses a serious threat to the Company's financial health and, consequently, to the continued provision of safe and reliable water service.

This Staff Report is intended to provide information to support Staff's Complaint of December 16, 2010, as well as the Motion for Preliminary Injunction filed concurrently with this report. The relief sought by Staff is outlined in detail in those filed documents.

EXHIBIT 1

COMMISSIONERS
 KRISTIN K. MAYES, Chairman
 GARY PIERCE
 PAUL NEWMAN
 SANDRA D. KENNEDY
 BOB STUMP



ERNEST G. JOHNSON
 Executive Director

ARIZONA CORPORATION COMMISSION

September 13, 2010

Bellemont Water Company
 2200 E. Cedar Ave. #13
 Flagstaff, Arizona 86004

Re: Staff's Data Request to Bellemont Water Company.

To whom it may concern:

Pursuant to the discussion and concerns expressed by the Commissioners on the Arizona Corporation Commission's ("Commission") August 25, 2010 open meeting, attached please find a data request from Commission Staff.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses.

Please respond within ten calendar days of your receipt of the copy of this letter. However, if you require additional time, please contact Ms. Kim Battista at (602) 542-4251.

Sincerely,

Steve Olea
 Director, Utilities Division

cc: Brad Ness
 3960 Pinal St.
 Kingman, AZ 86409

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Janice Alward
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ARIZONA CORPORATION COMMISSION
STAFF'S DATA REQUESTS TO
BELLEMONT WATER COMPANY
September 13, 2010

- STF 1.1 Who is responsible for the day-to-day operation of the water system?
- STF 1.2 If Ms. Klaudia Ness is responsible for the day-to-day operations, who will run Bellemont Water Company ("Company"), in the event that Klaudia Ness is removed from the Company? Please provide a name, contact number, qualifications and experience.
- STF 1.3 Does the water system have a certified operator? If so, who is currently the certified operator? Please provide documentation to support your answer.
- STF 1.4 What is the Company's plan to provide an adequate source of water supply now that the financing for the deep well project has been denied?
- STF 1.5 Please provide current compliance status reports from the Arizona Department of Environmental Quality ("ADEQ") and the Arizona Department of Water Resources ("ADWR"). Please provide documentation to support your answer.
- STF 1.6 Does the Company still plan to sell its stock? If so, please provide name(s) of tentative buyers. Please provide relevant documentation.
- STF 1.7 Please provide a status on all pending litigation proceedings before the Coconino County Superior Court. Please provide related documentation.
- STF 1.8 Please identify all upcoming Superior Court proceedings and relevant dates.
- STF 1.9 Is the Company maintaining its books and records in compliance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts? If available, please provide documentation to support your answer.
- STF 1.10 Is the Company experiencing any detrimental impact(s) to operations as a consequence of recent events? Please provide documentation to support your answer.
- STF 1.11 Do you have any reason to believe that standpipe sales have not been properly accounted for? Please provide documentation to support your answer.
- STF 1.12 Do you have any reason to believe that metered water sales have not been properly accounted for? Please provide documentation to support your answer.
- STF 1.13 Please provide dates, between the months of September and October of the year 2010) when the Company would be available for Commission Staff to examine the water system and Company's books and records.

From: Bellemont Water, Inc.
Erik Ness, Vice President
3960 N. Pinal Street
Kingman, AZ 86409
(928) 220-1081

To: AZ Corp. Commission
Attention: Ms. Kim Battista

From: Erik Ness, Bellemont Water,
Inc.

Date: 11-9-2010

Fax: (602) 364-0888 602-542-2129

Pages: 3 Total including title page

Message: Kim,

Here is the fax regarding
The questionnaire.

11-9-2010

From: Bellemont Water, Inc.
Erik Ness, Vice President
3960 N. Pinal Street
Kingman, AZ 86409

To: Arizona Corporation Commission
Attention: Ayesha Vohra
Attention: Kim Battista

STF 1.1 Klaudia Ness, Elliott Ness
Erik Ness, and Western Technologies

STF 1.2 Elliott Ness or Erik Ness, Rodney Wilson,
CPA, and Western Technologies

STF 1.3 Yes, Western Technologies

STF 1.4 Researching a high yielding , shallow well.
(Cost effective) Since we have been denied
by the ACC. What are your thoughts
regarding this matter? Since the drought has
lessened, our water sources have been
sufficient.

STF 1.5 These documents should have been
provided by Klaudia Ness.

STF 1.6 At this time, there are no perspective buyers.

- STF 1.7 This matter has been settled.
- STF 1.8 No dates. This matter has been settled.
- STF 1.9 Yes. Documents can be provided by Rodney Wilson, CPA.
- STF 1.10 No, This matter has been settled in STF 1.7 and STF 1.8.
- STF 1.11 Still researching this matter in order to be in full compliance. I, Erik Ness, have never been granted access to the books.
- STF 1.12 Still researching this matter in order to be in full compliance. I, Erik Ness, have never been granted access to the books.
- STF 1.13 This meeting was completed without any notification to the rest of the board members.

I, Erik Ness, have not received any information regarding Bellemont Water from Klaudia Ness, who has full control of the post office box.

I did not even receive this document until it was mailed directly to my home address, which I received on 11-6-2010.

From: Bellemont Water, Inc.
Bradley Ness, President
3960 N. Pinal Street
Kingman, AZ 86409
(928) 279-2967

To: Arizona Corporation Commission
Attention: Ayesha Vohra

From: Bellemont Water, Inc. - Bradley Ness

Date: 11-5-2010

Fax: (602) 542-4870

Pages: 4 Total - including title sheet

Message: Enclosed is a letter in

regards to the Staff Data Requests.
Thank you.

11-5-2010

From: Bellemont Water, Inc.
Bradley Ness, President
3960 N. Pinal Street
Kingman, AZ 86409

To: Arizona Corporation Commission
Attention: Ayesha Vohra

STF 1.1 Klaudia Ness, Elliott Ness
Erik Ness, and Western Technologies

STF 1.2 Elliott Ness or Erik Ness, Rodney Wilson,
CPA, and Western Technologies

STF 1.3 Yes, Western Technologies

STF 1.4 Researching a high yielding , shallow well.
(Cost effective) Since we have been denied
by the ACC. What are your thoughts
regarding this matter?

STF 1.5 These documents should have been
provided by Klaudia Ness.

STF 1.6 At this time, there are no perspective buyers.

STF 1.7 This matter has been settled.

- STF 1.8 No dates. This matter has been settled.
- STF 1.9 Yes. Documents can be provided by Rodney Wilson, CPA.
- STF 1.10 No, This matter has been settled in STF 1.7 and STF 1.8.
- STF 1.11 Still researching this matter in order to be in full compliance.
- STF 1.12 Still researching this matter in order to be in full compliance.
- STF 1.13 This meeting was completed without any notification to the rest of the board members.

I, Brad Ness had a previous recorded conversation with Ayesha Vohra and Carmel Hood that Klaudia Ness does not share any information with the rest of the board members.

As per the conversation, I gave my address and phone number believing that I would have been notified of any future meetings.

Note: I believe based on that meeting you are forcing me, as the President, to make decisions that I am not prepared to make at this time. I am doing so against my will.

Note: This Board's number one responsibility is to provide and maintain the highest water quality and service to all of our customers. At this time, we feel we are doing an excellent job of this, and will continue to do so.

(Response of Klaudia Ness)

September 30, 2010

Klaudia Ness

1. Klaudia Ness is responsible for day to day operation. Although, Brad Ness has changed the lock to the standpipe card machine, and has control of all the revenue that it generates.
2. I am not aware of who would take my place. It is my understanding Brad Ness will find someone who will allow him to use the accounts as personal accounts for his benefit without question.
3. Bellemont Water has a certified operator. The company uses Western Technologies for our testing, and our operator is Eric Bohn. His phone number is 928.774.2312.
4. The plan for an adequate source of water remains the same. It is in the company's best interest to again in the future, seek the financing needed for the deep well. I personally utilized the grant funding through WIFA to obtain the CSAMT test performed by Hydrosystems, Inc. The test concluded where the significant water sources are located. Our wells are currently drawing off what is called the "Wild Bill Aquifer". These are tempermental shallow wells that will not be sufficient for growth of any kind. Brad Ness believes, regardless of this professional test, that another shallow well will be adequate. The test concluded that it will not be sufficient. Brad Ness is not qualified in any way to be able to conduct another shallow well venture. In the past, he attempted this, and it resulted in 2 more dry holes in addition to the several already in our cerificated area.
5. We are currently in compliance with ADEQ.
6. To my knowledge, the company is in the process of selling or trading stock to Roger Solem. At this time, I do not have any documentation to support the sale/trade.
7. All litigation has been dismissed due to Brad Ness borrowing a very large sum of money from a private party to pay off the existing loan to the McClains...(the previous owners of Bellemont Water Company)
8. To my knowledge, there are no more court proceedings.
9. The company is maintaining its' books and records according to the NARUC guidlines. Rodney Wilson is knowledgable in the system of accounts, and is the cpa for the company.

EXHIBIT 1

10. I have been able to keep the company going as a result of the litigation. However, due to Brad Ness spending money out of the general account for personal expenses, it has been difficult to make the mandatory monthly payments.

11. Because of the fact that Brad Ness has changed the lock to the card machine to access the standpipe revenue, as of September 29, 2010, \$13,558.00 is unaccounted for. I have asked Brad on several occasions to make this deposit into the "standpipe" account, and he has not done so. He maintains that he has the cash, but will not deposit it. This amount is checked through the card machine itself. It shows actual money going through the machine, not gallons sold, and is 100% accurate. *This account was ordered only to be used for a significant water source by the ACC.

12. The metered water sales have been properly accounted for. I am the only one who can access the accounts receivable through the post office at this time. Because of trust issues with Brad Ness, I have had the post office hold the mail, and I am the only one who can retrieve the checks from the metered customers. This has not stopped him however, from using the bank account like a personal account.

13. I have included a copies of the bank statements for the months of August and September showing the multitude of personal expenses. You can reach me at any time 928.220.0350 to set up a time to go over the books and records.

As a final note, I would like to say that I am hopeful that the company will sell to the above mentioned party. Brad Ness has no idea how to run or operate this company, and has only wanted to make a profit from this company and does not have the company's best interest at heart. I believe that the interested purchaser of the company will be a positive move in the right direction. It is my knowledge that I will be working with him to move the company forward. The absence of Brad and Erik Ness is the best thing that could happen at this present time. I will work to the best of my ability to keep the company in compliance and remain in good standing.

EXHIBIT 2

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

IN THE MATTER OF THE INVESTIGATION OF
THE FAILURE OF BELLEMONT WATER
COMPANY, AN ARIZONA PUBLIC SERVICE
CORPORATION, AND BELLEMONT WATER
COMPANY SHAREHOLDERS BRAD NESS,
GLORIA NESS, ERIK NESS, DINAH NESS
(AKA DIANA NESS), OPERATING AS AN
ARIZONA PUBLIC SERVICE CORPORATION
IN FACT, TO COMPLY WITH ARIZONA
STATUTES AND COMMISSION RULES AND
REGULATIONS.

DOCKET NO. W-02526A-10-0499

AFFIDAVIT OF ALFONSO AMEZCUA

ALFONSO AMEZCUA, being first duly sworn upon oath, states deposes and says:

1. I am employed by the Arizona Corporation Commission ("Commission") as a Public Utilities Consumer Analyst II in the Utilities Division.
2. On November 4, 2010, I attended a conference call with Brad Ness, President of Bellemont Water Company ("BWC" or "the Company").
3. During the conference call, Brad Ness stated that he had used monies collected from the standpipe service meter to pay attorney's fees related to a foreclosure lawsuit involving shares of BWC.
4. During the conference call, Brad Ness was asked by the Arizona Corporation Commission Utilities Division Staff to voluntarily cease accessing Company accounts, including the standpipe service.

...

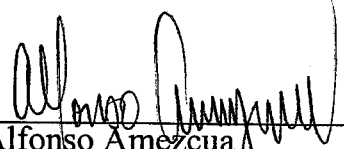
...

...

...

- 1 5. Brad Ness stated that he would not agree to voluntarily cease accessing Company
2 accounts, including the standpipe service.

3 Further, Affiant sayeth not.

4
5 
6 Alfonso Amezcua
Public Utilities Consumer Analyst II

7 SUBSCRIBED AND SWORN TO before me this 17TH day of April, 2011.

8
9 August 12, 2012
Notary Expiration Date

By Monica A. Martinez
Notary Public



EXHIBIT 3

Janet G. Betts
Direct Dial: 480.663.2162
Direct Fax: 480.663.2149
jbetts@jsslaw.com

October 25, 2007

VIA FEDERAL EXPRESS

Klaudia Ness
7350 Hutton Ranch Road
Flagstaff, AZ 86004

Re: Bellemont Water Company, Inc.

Dear Klaudia:

Enclosed are the originally executed Stock Purchase Agreement and the Stock Assignment Separate From Certificate regarding the purchase of 88,000 shares of capital stock owned by William W. Bones Investment & Realty Co., Inc. Please insert the certificate number on the Stock Assignment Separate From Certificate, and send me a copy for my files.

Should you have any questions please contact me.

Very truly yours,

JENNINGS, STROUSS & SALMON, P.L.C.

By


Janet G. Betts

JGB/en

Phoenix ▶ Scottsdale ▶ Arrowhead ▶ Washington, D.C.

3102657v1(55859.1)

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into this 25th day of October, 2007, by and between the William W. Bones Investment & Realty Co. (hereinafter referred to as "Seller") and BRAD NESS and GLORIA NESS, husband and wife; ERIC W. NESS and DIANA M. NESS, husband and wife; and ELLIOTT B. NESS and KLAUDIA R. NESS, husband wife, 3960 Pinal Street, Kingman, Arizona 86409 (hereinafter referred to collectively as "Purchasers"), wherein Seller agrees to sell and Purchasers agree to buy certain shares of stock of BELLEMONT WATER COMPANY, INC., an Arizona Corporation ("Corporation").

WITNESSETH:

WHEREAS, the Seller is the record owner and holder of the issued and outstanding shares of the capital stock of the Corporation which has issued 88,000 shares of stock at a \$1.00 common stock par value, and

WHEREAS, the Purchaser desire to purchase the stock and the Seller desires to sell the stock, upon the terms and subject to the conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, and in order to consummate the purchase and the sale of the Stock, it is hereby agreed as follows;

1. PURCHASE AND SALE

Subject to the terms and conditions hereinafter set forth, at the closing of the transaction contemplated hereby, the Seller shall sell, convey, transfer, and deliver to the Purchaser the certificates representing the stock, and the Buyer shall purchase from the Seller the Stock in consideration of the purchase price set forth in this Agreement. The certificates representing the Stock shall be duly endorsed for transfer or accompanied by appropriate stock transfer powers duly executed in blank, in either case with signatures guaranteed in the customary fashion, and shall have all the necessary documentary transfer tax stamps affixed thereto at the expense of the Seller.

The closing of the transactions contemplated by this Agreement (the "Closing"), shall be held at Jennings Strauss on 25 Oct at 2:40, or such other place, date and time as the parties hereto may otherwise agree.

2. AMOUNT AND PAYMENT OF PURCHASE PRICE.

(a) Consideration

As total consideration for the purchase and sale of the Stock, pursuant to this Agreement, the Purchaser shall pay to the Seller the sum of Eighty

to be referred to in this Agreement as the "Purchase Price"

(b) Payment.

The Purchase Price shall be paid as follows:

The sum of Eighty Seven Thousand, Five Hundred Dollars (\$87,500.00) to be delivered to Seller upon the execution of this Agreement and delivery of the certificates representing the Stock.

3. REPRESENTATIONS AND WARRANTIES OF SELLER.

Seller hereby warrants and represents:

(a) Organization and Standing.

Corporation is a corporation duly organized, validly existing and in good standing under the laws of the State of Arizona and has the corporate power and authority to carry on its business as it is now being conducted.

(b) Restrictions on Stock.

i. The Seller is not a party to any agreement, written or oral, creating rights in respect to the Corporation's Stock in any third person or relating to the voting of the Corporation's Stock.

ii. Seller is the lawful owner of the Stock, free and clear of all security interests, liens, encumbrances, equities and other charges.

iii. There are no existing warrants, options, stock purchase agreements, redemption agreements, restrictions of any nature, calls or rights to subscribe of any character relating to the stock, nor are there any securities convertible into such stock.

4. PURCHASER, JOINTLY AND SEVERALLY, WARRANTS AND REPRESENTS:

(a) There are no actions, suits, proceedings or claims pending or threatened with respect to, or in any manner affecting the purchase by, the Purchaser of the Stock;

(b) Purchaser has the right, power and legal capacity to enter into and perform the obligations under this Agreement; and

(c) In determining to purchase the Stock, purchaser, has relied solely upon (i) the advice of their own legal counsel and tax, accounting and other financial advisors with respect to the legal, tax, financial, economic and other consequences involved in purchasing the Stock; and (ii) their own independent evaluation of the business, operations and prospects of the Corporation and the merits and risks of the purchase of the Stock. Purchaser has not relied on any other statements or information provided by Seller;

information regarding the management of the Corporation or its operations.

Seller and Purchaser represent and warrant that there has been no act or omission by Seller or Purchaser which would give rise to any valid claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated hereby. purchaser, on behalf of the Corporation, hereby represents and warrants that there has been no act or omission by the Corporation which would give rise to any valid claim against purchaser, Seller or Corporation for a brokerage commission, finders' fee or other like payment in connection with the transaction contemplated hereby.

5. SECURITY LAWS

Purchaser, jointly and severally, hereby acknowledge that the Stock has not been and will not be registered pursuant to the Securities Act of 1933, as amended or under Arizona securities laws, based upon exemptions for the registration requirements thereunder, that the Stock has not been approved or disapproved by the Securities and Exchange Commission, or by any other federal or state agency, and that no agency has reviewed or made any recommendations or endorsement of the Stock. Purchaser represents that Purchaser is acquiring the Stock solely for their own account and not with a view to, or for, the resale, distribution, subdivision or fractionalization thereof.

6. GENERAL PROVISIONS.

(a) Entire Agreement

This Agreement (including the exhibits hereto and any written amendments hereof executed by the parties) constitutes the entire Agreement and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

(b) Sections and Other Headings

The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(c) Governing Law.

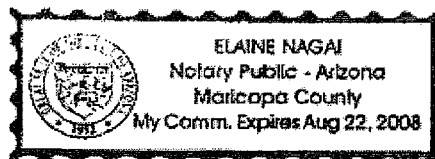
This Agreement, and all transactions contemplated hereby, shall be governed by, construed and enforced in accordance with the laws of the State of Arizona. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in Coconino County, State of Arizona. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorney's fees, court costs, and all other expenses, whether or not taxable by the court as costs, in addition to any other relief to which the prevailing party may be entitled.

of the individual parties hereto on the date first above written.

William W. Bones Investment & Realty Co.
an Arizona corporation

By:

Lorie B. Holly
Lorie B. Holly, President



Subscribed to a sworn form
this 25 day of October

Elaine Nagai

Date: 10-22-07

Brad Ness
Brad Ness

Date: 10-22-07

Gloria Ness
Gloria Ness

Date: 10-22-07

Erik Ness
Erik Ness

Date: 10-22-07

Diana M. Ness
Diana M. Ness

Date: 10-22-07

Elliott B. Ness
Elliott B. Ness

Date: 10-22-07

Klaudia R. Ness
Klaudia R. Ness



STATE OF ARIZONA

COUNTY OF Coconino

The foregoing instrument was acknowledged
before me this 22 day of Oct 2007

By all parties above

Notary Public Erica Delaney
My Commission Expires: Nov 28, 2010

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby transfers and assigns Eighty-Eight Thousand (88,000) shares of capital stock of Belmont Water Company, Inc., an Arizona corporation (the "Corporation"), standing in the name of the undersigned on the books of the Corporation and represented by Certificate No. _____, to the Corporation with full power of substitution.

DATED: October 25, 2007

William W. Bones Investment & Realty
Co.,
an Arizona corporation

By: 
Name: Lorie B. Holly
Its: President

EXHIBIT 4

ORIGINAL

January 10, 2011
10426 W. Harmont Dr.
Peoria, Az 85345-7543

Arizona Corporation Commission,
1200 W. Washington St.
Phoenix, Az 85007-2927

Arizona Corporation Commission

DOCKETED

JAN 11 2011

Re: Docket No. W-02526A-10-0499
Attention: Kay Mecca Docket Control

DOCKETED BY



To Whom It May Concern:

Please forgive the delay in answering this notice.
Receiving a letter from the corporation commission regarding fraud is very upsetting. I was looking for help to reply correctly to your letter but am doing so myself. George Wong is not deceased.

Over a year and half ago a letter was received by us from the Ness family. It essentially threatened us to GIVE them the shares we have in this company Belmont Water or else it would cost us. Receiving threats is upsetting and does not show good business sense.

My husband was in business with the McClain family and was not aware that any part of their ownership had been sold. No minutes of meetings or directorship meetings ever came our way. This company just existed as far as we were aware. No money was ever paid to us.

Alas hearing that these people have used a loan directed to the company for their own needs is beyond anything we could imagine.

We have not conversed with these people and have not been aware of any of their business decisions.

My husband has been in long term care for 3 years now. I hope that this can be resolved without adding further hardship to this family.

Sincerely,



Mary Keller-Wong

RECEIVED

2011 JAN 11 A 9 41

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

EXHIBIT 5

LOAN AGREEMENT AMENDMENT

The Loan Agreement dated August 19, 2010 by and between BELLEMONT WATER COMPANY, an Arizona corporation, BRAD NESS and GLORIA NESS, husband and wife, and ERIK ^{W. BV} NESS and DIANA NESS (collectively the "Borrowers"), and STEVEN D. ADAMS and JANET D. ADAMS, husband and wife ("Lender") is amended as follows:

1. Brad Ness, Gloria Ness, Erik ^{W. BV} Ness and Diana Ness are removed as Borrowers. The sole Borrower shall be Bellemont Water Company. All other terms and conditions will remain the same.
2. This Agreement may be executed in counterparts or by facsimile, each of which shall be deemed an original.
3. In the event of a conflict between the original Loan Agreement and this Agreement then this Agreement shall control.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement Amendment on this 12th day of September, 2010.

///

///

///

///

LENDER:

Steven S. Adams

Janet D. Adams

BORROWERS:

BELLEMONT WATER COMPANY, an
Arizona corporation

By Brad Ness

Title: Pres

Brad Ness
Brad Ness

Gloria Ness
Gloria Ness

Erik Ness
ERIK R. Ness

Diana Ness
Diana Ness
Diana

THE UNDERSIGNED HEREBY ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE MATTERS CONTAINED IN THESE TERMS AND CONDITIONS. THEY FURTHER UNDERSTAND THAT ESCROW AGENT IS RELYING UPON THIS ACKNOWLEDGMENT IN CLOSING THE SUBJECT ESCROW.

Dated: September 1, 2010

BUYERS:

BELLEMONT WATER COMPANY, an
Arizona corporation

Steven D. Adams 9-13-10
STEVEN D. ADAMS Date

BRAD NESS, President Date

Janet A. Adams 9-13-10
JANET A. ADAMS

Date

Date

Date

Date

Pioneer Title Agency, Inc.

"Commitment to Service"

112 N. Elden St., Flagstaff, AZ 86001

Phone: (928) 779-0371 • Fax: (928) 779-4112

September 15, 2010

BELLEMONT WATER COMPANY, an Arizona corporation
P.O. BOX 31176
FLAGSTAFF, AZ 86003

RE: Escrow No. [REDACTED]
Seller/Buyer: /BELLEMONT WATER COMPANY
Property Address: 203-40-002E, BELLMONT, AZ 86017

In connection with the above referenced escrow, we enclose the following items:

☒ Closing Package

We would like to thank you for the opportunity of serving you and hope that you will contact us again for your escrow and title needs.

Sincerely,



John R. Kuban
Escrow Officer

Escrow No. [REDACTED]

Check Date: 09/14/2010

Check No. 017710

DESCRIPTION	CODE	AMOUNT
Refund		\$643.00
Check Total		\$643.00

Seller/Buyer: /BELLEMONT WATER COMPANY
 Property Address: 203-40-002E BELLMONT, AZ 86017
 Tax Parcel Id: 203-40-002E Memo:

Pioneer Title Agency, Inc.

112 North Elden Street
 Flagstaff, AZ 86001
 (928) 779-0371

ALLIANCE BANK OF ARIZONA
 2701 E. CAMELBACK RD. #110
 PHOENIX, AZ 85016
 61-596/1221

NO. 017710

FILE NUMBER	DATE	AMOUNT
[REDACTED]	09/14/10	\$643.00

PAY SIX HUNDRED FORTY-THREE DOLLARS and no/100

TO THE BELLEMONT WATER COMPANY, AN ARIZONA CORPORATION
 ORDER P.O. BOX 31178
 OF FLAGSTAFF, AZ 86003

ESCROW ACCOUNT

⑈017710⑈ [REDACTED]

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

B. TYPE OF LOAN

OMB No. 2502-0255

SETTLEMENT STATEMENT

Pioneer Title Agency, Inc.
 12 N. Elden St.
 Flagstaff, AZ 86001

1. ☐ FHA
 4. ☐ VA

2. ☐ FMHA
 5. ☐ CONV INS.

3. ☐ CONV UNINS.

6. ESCROW FILE NUMBER:

7. LOAN NUMBER:

8. MORTGAGE INSURANCE CASE NUMBER:

FINAL

C. NOTE: This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "P.O.C." were paid outside the closing; they are shown here for informational purposes and are not included in the totals.

D. NAME OF BORROWER: BELLEMONT WATER COMPANY, an Arizona corporation

ADDRESS OF BORROWER: P.O. BOX 31176
 FLAGSTAFF, AZ 86003

E. NAME OF SELLER:

ADDRESS OF SELLER:

F. NAME OF LENDER: STEVEN D. ADAMS and JANET A. ADAMS
 ADDRESS OF LENDER: 2117 DESERT VIEW DRIVE,
 WINSLOW, AZ 86047

G. PROPERTY LOCATION: 203-40-002E,
 BELLMONT, AZ 86017
 Coconino 203-40-002E
 METES AND BOUNDS

H. SETTLEMENT AGENT: Pioneer Title Agency, Inc.
 PLACE OF SETTLEMENT: 112 N. Elden St., Flagstaff, AZ 86001

I. SETTLEMENT DATE: 09/14/2010

PRORATION DATE: 09/14/2010

FUNDING DATE: 09/14/2010

DISBURSE DATE:

SUMMARY OF BORROWER'S TRANSACTION

100. Gross Amount Due From Borrower:

103. Settlement charges to Borrower (line 1400)	119,557.00
120. Gross Amount Due from borrower:	119,557.00

200. Amounts Paid by or in behalf of Borrower:

202. Principal amount of new loan(s)	108,000.00
203. Existing loan(s) taken subject to	
205. Borrower closing funds	12,200.00
220. Total Paid By/For Borrower	120,200.00

300. Cash at Settlement from/to Borrower:

301. Gross amount due from Borrower (line 120)	119,557.00
302. Less amount paid by/for Borrower (line 220)	120,200.00
303. Cash TO Borrower:	643.00

K. SUMMARY OF SELLER'S TRANSACTION

400. Gross Amount Due To Seller:

403.	
420. Gross Amount Due to Seller	0.00

500. Reductions in Amount Due To Seller:

502. Settlement charges to Seller (line 1400)	0.00
503. Existing loan(s) taken subject to	
505. Payoff of second mortgage loan	
520. Total Reductions in Amount Due Seller	0.00

600. Cash at Settlement to/from Seller:

601. Gross amount due to Seller (line 420)	0.00
602. Less reductions in amount due Seller (line 520)	0.00
603. Cash TO/FROM Seller:	0.00

INITIALS: _____

ESCROW FILE NUMBER: [REDACTED]

OMB No. 2502-0265

L. SETTLEMENT CHARGES:

700. Total Sales/Broker's Commission:

700. Total Sales/Broker's Commission:		Paid from	Paid from
Based on Price \$ @ % = 0.00		Borrower's	Seller's
Division of Commission (line 700) follows:		Funds at	Funds at
701. \$	0.00 to	Settlement	Settlement
702. \$	0.00 to		
\$	0.00 to		
703. Commission paid at settlement			
704.			
705.			
706.			
707.			
708.			

800. Items Payable In Connection With Loan:

808. LOAN FEE CHARGED TO BORROWER to STEVEN D. ADAMS and JANET A. ADAMS	23,000.00	
---	-----------	--

900. Items Required By Lender To Be Paid In Advance:

1000. Reserves Deposited With Lender:

1002. Mortgage Insurance		
1008. Aggregate Adjustment months @\$	0.00	

1100. Title Charges:

1101. Settlement or closing fee to Pioneer Title Agency, Inc.	345.00	
1109. Lender's coverage \$ 108,000.00 to Pioneer Title Agency, Inc.	592.00	
1110. Owner's Coverage		
1112. Recon Tracking to Pioneer Title Agency, Inc.	75.00	
1113. Tax Service Fee to LPS PROPERTY TAX SOLUTIONS	170.00	
1114. Account Servicing Setup Fee to Pioneer Title Agency	75.00	
1115. Courier to Pioneer Title Agency, Inc.	50.00	
1119. Recording Fees(E) to Pioneer Title Agency, Inc.	50.00	

1200. Government Recording and Transfer Charges

1300. Additional Settlement Charges:

1303. SETTLEMENT PAYMENT to McCarthy Weston PLLC, Trust	95,200.00	
1400. Total Settlement Charges (Enter on line 103, Section J -and- line 502, Section K)	119,557.00	0.00

INITIALS: _____

ESCROW FILE NUMBER: [REDACTED]

OMB No. 2502-0265

Attachments:

BREAKDOWN OF NEW LOANS

Description	Buyer Amount	Seller Amount
STEVEN D. ADAMS and JANET A. ADAMS, 2117 DESERT VIEW DRIVE, WINSLOW, AZ 86047, Loan#	108,000.00	
Total of New Loans.	108,000.00	

SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release ("Agreement") is made effective as of the ____ day of September, 2010, by and between, on the one hand, Brad Ness Gloria Ness, Erik W. Ness and Dianah M. Ness (collectively, "Ness"), and Bellemont Water Company Inc., ("Bellemont Water") and on the other hand, Nona McClain, Donna Kertman, Rosalind Racher-Kirk, Linda Celidonio, Jason McClain, Lloyd Racher, and Dorothy Racher (collectively, "McClain"). The foregoing individuals and Bellemont Water are sometimes collectively referred to herein as the "Parties" or individually as a "Party."

RECITALS

- A. In September, 2006 the McClains sold their stock in Bellemont Water to the Nesses (whom are parties to this agreement) and also to Elliott and Klaudia Ness. The McClains carried back a portion of the sales price which was represented by, *inter ali*, a promissory note ("Note") and the Note was secured by a security agreement in the shares of Bellemont Water stock.
- B. McClains now allege that the Nesses have failed to pay the Note as agreed and have threatened to take back the stock in Bellemont Water ("Dispute").
- C. Based on the Dispute, McClain instituted litigation in the Coconino County Superior Court Case No CV 2010-00491, ("Lawsuit") against Ness and Bellemont Water.
- D. Now, by way of compromise, and without admitting liability, the Parties desire by this Agreement to fully and finally resolve all issues between them.
- E. The Parties hereby acknowledge the correctness and accuracy of the foregoing Recitals, which are fully incorporated in this Agreement by this reference and made a material part of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, without admitting liability, and subject to the conditions and obligations contained herein, the Parties wish to settle all issues and claims as between themselves in regard to the ownership of the stock of Bellemont Water Company, Inc., and that were alleged or could have been alleged in the context of the Litigation, and therefore covenant and agree as follows:

AGREEMENT

1. Payment. Ness shall pay McClain the sum of ninety five thousand two hundred dollars (\$95,200.00) in cash or cash equivalent funds ("Funds"). The Funds shall be deposited into an escrow account with Pioneer Title (escrow agent John Kuban) before Ness, Bellemont Water or McClain sign this Agreement, which Funds shall be disbursed to the McCarthyWeston, pllc not later than the following business day upon completion of the obligations set forth in section (2) and (3) below. Any fees charged by Pioneer Title shall be paid by Ness.
2. Stipulated Dismissal. Upon confirmation that the Funds have been deposited in escrow, the McClains agree to execute a stipulated dismissal of the Lawsuit, with prejudice which will include the withdrawal/dismissal of the temporary restraining order and vacating the order to show cause hearing set for September 10, 2010. Each party agrees to bear their own attorney's fees and costs.
3. Release of Security Interest and Deed of Trust. Concurrent with the foregoing and upon confirmation that the Funds have been deposited into escrow at Pioneer Title, the McClains hereby by signing this Agreement release any security interest they have regarding the Bellemont Water stock owned by Ness (including the interests possessed by Elliott Ness and Klaudia Ness) or any other property owned by Ness or Bellemont Water Co. Nona McClain shall also execute a release and reconveyance (or other such documents as the escrow agent may require) to release the Deed of Trust dated April 8, 2002 and recorded at instrument No. 3136104, in the Coconino County public records. All documents to be drafted by the title company, Ness or Bellemont Water.
4. Escrow Instructions. This Agreement shall further act as instructions to the escrow agent, John Kuban. If there are conflicting provisions between this agreement and the Loan Agreement, also made a part of the escrow, this Agreement shall control.
5. No Admission of Liability. No Party admits liability for any act or omission alleged or that could have been alleged arising out of the Litigation.
6. Termination of Relationship and Full and Complete Settlement. All Parties to this Agreement agree that, except as otherwise provided for herein, no outstanding monies are due between the Parties, including but not limited to, the Promissory Note dated September 8, 2006.
7. General Release of all Known and Unknown Claims. The Parties and all those claiming through them and/or on their behalf, including but not limited to their representatives, clients, attorneys, agents, successors, or assigns, hereby release, acquit, relieve, and forever discharge one another, including their officers, directors,

acquit, relieve, and forever discharge one another, including their officers, directors, successors, and assigns, from, and covenant not to directly or indirectly sue for or otherwise assert against them in any forum, any and all claims, rights, actions, complaints, demands, causes of action, obligations, promises, contracts, agreements, controversies, suits, debts, expenses, damages, attorneys' fees, costs and/or liabilities of any nature whatsoever, whether or not now known, suspected, or claimed, matured or un-matured, fixed or contingent, which the Parties had, now have, or may claim to have against one another (either directly or indirectly). However, nothing in this release is intended to nor shall it release the obligations of the Parties as provided for under this Agreement.

8. Waiver. The Parties understand and agree that the general release provided hereinabove extends to all claims released as set forth in this Agreement, whether known or unknown, suspected or unsuspected, asserted or not yet asserted, developed or not yet developed. It is the intention of the Parties through this Agreement and after having been advised by their own counsel to fully, finally, and forever settle and release, subject to the terms and provisions herein, the claims, and disputes between the Parties arising out of or related to the Litigation. In furtherance of such intention, the release herein given shall be and remain in effect as a full and complete release of such matters covered hereunder notwithstanding the discovery of any additional claims, defenses, or facts relating thereto.
9. Agreement Effective Notwithstanding Subsequent Discovery of Different Facts. Each of the Parties hereto acknowledge that they may hereafter discover facts different from or in addition to those they now know or believe to be true with respect to the claims, demands, causes of action, obligations, damages, and liabilities of any nature whatsoever that are the subject of the releases set forth in this Agreement, and they expressly agree to assume the risk of the possible discovery of additional or different facts, and agree that this Agreement shall be and remain effective in all respects regardless of such additional or different facts.
10. Binding Upon Third Parties. This Agreement shall be binding upon and shall inure to the benefit of the officers, directors, owners, shareholders, members, partners, managers, employees, representatives, clients, attorneys, successors, and/or assigns of the Parties hereto.
11. Representations and Warranties. The Parties hereto each represent, warrant, and agree with each other as follows: (a) each Party has received or had the opportunity to receive independent legal advice from attorneys of his, her, or its choice with respect to the advisability of entering into this Agreement and the releases provided for herein; (b) except as expressly stated in this Agreement, no Party has made any statement or representation to any other Party regarding any fact, which statement or representation is relied upon by any other Party, in entering into this Agreement. In

connection with the execution of this Agreement or the negotiating of the terms provided for herein, no Party to this Agreement has relied upon any statement, representation, or promise of any other Party not expressly contained herein; (c) there are no other agreements or understandings between the Parties relating to the matters referred to in this Agreement; (d) the terms of this Agreement are contractual and are the result of negotiation among the Parties hereto; and (e) this Agreement has been carefully read by each of the Parties hereto and the contents thereof are known and understood by each of the Parties. This Agreement is signed freely by each party executing it and with the requisite power and authority to do so.

12. Survival of Representations, Warranties, and Covenants. The representations, warranties, and covenants contained in this Agreement are deemed to and do survive the execution hereof.
13. Full Authority. The Parties represent and warrant to each other that they have full power, authority, and legal right to execute this Agreement, on their own behalf as well as on behalf of the corporate or other entities and individuals referred to herein. At the time of signing this Agreement, Bellefont Water shall provide to McClain a resolution approving this Agreement. Moreover, each Party represents to each other Party that it has not executed this Agreement, or any document required to be executed pursuant to this Agreement, under any duress, pressure, or fraud, and each Party hereby expressly agrees to be legally and equitably bound by the express terms, or representations, warranties, covenants, and conditions contained herein.
14. Modifications. This Agreement shall be binding upon the parties and may not be amended, supplemented, changed, canceled, revoked, or otherwise modified except by written agreement signed by all of the Parties hereto to be charged with such modification.
15. Severability. In the event any provision of this Agreement shall be held to be void, voidable, or unenforceable, the remaining provisions shall remain in full force and effect.
16. Governing Law. All aspects of this Agreement, including its enforcement, interpretation, performance and validity, shall be governed by the laws of the State of Arizona.
17. Attorneys' Fees and Costs. Each Party shall bear his, her, or its own attorneys' fees and costs associated with drafting and negotiation of this Agreement and Litigation. In the event of any future dispute arising out of or related to this Agreement, the prevailing Party shall be entitled to recover their reasonable attorneys' fees and costs associated therewith.

18. Recitals. All recitals are incorporated in this Agreement by reference.
19. Entire Agreement. This Agreement contains the entire agreement and understanding between the Parties, cancels, and supersedes all prior agreements and understandings, oral or written, concerning the matters covered by this Agreement. No representation, warranty, condition, understanding, or agreement of any kind shall be relied upon by the parties unless incorporated in this Agreement.
20. Counterparts. This Agreement may be executed in one or more counterparts, each of which when executed and delivered shall be an original, and all of which when executed shall constitute one and the same instrument. Any Party may deliver its signed counterpart of this Agreement to the other Party by facsimile transmission.
21. Time of the Essence. Time is expressly declared to be of the essence of this Agreement.

THE PARTIES UNDERSTAND THAT UPON SIGNING BELOW, THEY ACKNOWLEDGE THAT THEY HAVE CAREFULLY READ AND FULLY UNDERSTAND THIS AGREEMENT, AND THAT THIS AGREEMENT WILL BECOME A LEGALLY ENFORCEABLE CONTRACT UNDER WHICH THEY WILL BE GIVING UP RIGHTS AND CLAIMS THEY MAY HAVE ON THE TERMS STATED IN THIS AGREEMENT.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement.

Signature on next page.

SEP-10-2010 10:18A FROM: LAW OFFICE
01/01/2003 17:35 7190899

9287790447
BRAD NESS

TO: 7794112

P.7
PAGE 02
P.7

SEP-10-2010 09:25A FROM: LAW OFFICE

9287790447

TO: 19357574305

Brad Ness
BRAD NESS

Gloria Ness
GLORIA NESS

Erik Ness
ERIK NESS

Dianah Ness
DIANAH NESS

BELLEMONT WATER COMPANY, INC.

By: Brad Ness
BRAD NESS, President

NONA MCCLAIN

DONNA KERTMAN

JASON MCCLAIN

ROSALIND RACHER KIRK

LLOYD RACHER

LINDA CELIDONIO

DOROTHY RACHER

Sep 09 10 03:13p
Sep 09 10 03:13p

Celidonio
JAMES O. FUNDAMENTAL

479-419-9131
5291153203

p.1
p.2
2/2

7:4 872 6799
Sep 09 10 10:03p

Mik Fundamental
JAMES O. FUNDAMENTAL

11:39:69 a.m. 09-09-2010

BRAD NESS

GLORIA NESS

ERIK NESS

DIANAH NESS

BELLEMONT WATER COMPANY, INC.

By: _____
BRAD NESS, President

Nona McClain
NONA MCCLAIN

Donna Kertman
DONNA KERTMAN

Jason McClain
JASON MCCLAIN

Rosalind Racher-Kirk
ROSALIND RACHER-KIRK

Deceased
LLOYD RACHER

Linda Celidonio
LINDA CELIDONIO

Dorothy Racher
DOROTHY RACHER

EXHIBIT 6

Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #
VPII	20100730	238066656	12210527	[REDACTED]	000037	2,262.00	[REDACTED]

Capture Source
00910527

Deposit:

(Check One) ☒ Checking ☐ Savings ☐ Money Market Access

Check, Savings, Money Market Access account number: [REDACTED]

Date: 7/29/10

Cash: 2262.00

Total Checks: [REDACTED]

Subtotal: [REDACTED]

Minus cash back: [REDACTED]

Total \$: 2262.00

Please print Name: Bellmont Water

Please print Street Address, City, State, Zip Code: [REDACTED]

Please sign in teller's presence for cash received. Two forms of ID may be required for cash back transactions.

X

Bank Use Only (When SVT is Not Available)

Customer ID: [REDACTED] Exp. Date: [REDACTED] Token Method (Y/N): [REDACTED] Approval: [REDACTED]

YLR009 (09/09) 009117 10027725

\$2,262.00 07/30/10 05:25PM

04 03727 0150019

[REDACTED]

ENTER THIS TOTAL ON DEPOSIT

CASH COUNT FROM BANK USE

TOTAL CHECKS

CHECKS

AMOUNT

TOTAL \$

100 X 100

50 X 50

20 X 20

10 X 10

5 X 5

2 X 2

1 X 1

TOTAL \$

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Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #	Capture Source
VPII	20100730	2997			000099	2,262.00	1838510021	00010021

Withdrawal

(Check One)



Checking



Savings



Money Market Access

2997



Checking, Savings, Money Market Access account number

Date

7/29/10

Please print: Name

Bellemont Water

Please print: Street Address, City, State, Zip Code

I authorize this withdrawal and acknowledge receipt of the amount indicated below. Please sign in teller's presence. Two forms of ID may be required.

X Brad Hess

Wells Fargo Branch Use When Blank
Wells Fargo Online Use When Blank

Two thousand two hundred sixty two dollars \$ 2262.00

Bank Use Only (When SVT is Not Available)

VLFES00 (06/06) version 1000222

Customer ID:

Exp. date:

Token Validated (Y/N)

Approval:

Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #	Capture Source
VPII	20100730	372701697	[REDACTED]	[REDACTED]	000039	2,262.00	4830549823	00910527

03727 Office A/J 2	11-26 1210(8)	CASHIER'S CHECK	0372701697
Purchaser: Purchaser Account: Operator I.D.: ar124644 ar124644	BELLEMONT WATER COMPANY, INC		Credit Copy
PAY TO THE ORDER OF	***TEVIS REICH***		July 29, 2010
Two thousand two hundred sixty-two dollars and no cents			***\$2,262.00**
PROCESS SAME DAY AS ISSUED			
WELLS FARGO BANK, N.A. 4850 N US HIGHWAY 89 FLAGSTAFF, AZ 86004 FOR INQUIRIES CALL (480) 394-3122	04 03727 0170021 07/30/2010 5:27:01PM	VOID IF OVER US \$ 2,262.00 NON-NEGOTIABLE	

[REDACTED]

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Print Images

Page 1 of 1

Routing	Sequence #	Paid Date	Amount	Account	Serial	Capture Source
[REDACTED]	4230342858	08102010	\$2500.00	[REDACTED]	1720	00910527

Withdrawal

(Check One)



Checking



Savings



Money Market Access

Checking, Savings, Money Market Access account number

[REDACTED]

Date

8/10/10

1720



Please print Name

Bradley Noss/Bellefont Water

Please print Street Address, City, State, Zip Code

I authorize this withdrawal and acknowledge receipt of the amount indicated below. Please sign in teller's presence. Two forms of ID may be required.

[Signature: Bradley Noss]

Twenty Five hundred and no Dollars \$ 2500.00

Bank Use Only (When SVT is Not Available)

TLR0006 (05/09) version 10102922

Customer ID:

Exp. date:

Teller Verified (Y/N) ☐

Approval:

[REDACTED]

This copy placed in the Bank
with Firm Cashier's Office

Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #	Capture Source
VPII	20100810	372701727			000039	2,500.00	4230342857	00910527

03727 Office A/E	11-24 1210(8)	CASHIER'S CHECK		0372701727
Purchaser: BELLEFONT WATER COMPANY, INC		Credit Copy		
Purchaser Account: 0000000000		August 10, 2010		
Operator I.D.: 0000000000				
PAY TO THE ORDER OF ***TEVIS REICH***				
Two thousand five hundred dollars and no cents		**\$2,500.00**		
PROCESS SAME DAY AS ISSUED				
WELLS FARGO BANK, N.A. 4850 N US HIGHWAY 89 FLAGSTAFF, AZ 86004 FOR INQUIRIES CALL (800) 364-3122		VOID IF OVER US \$ 2,500.00		
		02 03727 0810103 08/10/2010 11:55:12AM NON-NEGOTIABLE		

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Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #
VPII	20100908	9010	444444	444444	000069	4,275.00	4530147126

Capture Source
00910527

Withdrawal 9010

(Check One) ☐ Checking ☐ Savings ☐ Money Market Access

Checking, Savings, Money Market Access account number
* ~~XXXXXXXXXX~~ Date 9/8/10

Please print: Name
Bradley Ness

Please print: Street Address, City, State, Zip Code
~~XXXXXXXXXX~~

I authorize this withdrawal and acknowledge receipt of the amount indicated below.
Please sign in teller's presence. Two forms of ID may be required.

Bradley Ness

four thousand two hundred seventy five + 20/100 \$ 427.50 Dollars

Bank Use Only (When ZVT is Not Available)
Teller's (0000) 10207798

Qualifier ID: ~~XXXXXXXXXX~~ Exp. Date: ~~XXXXXXXXXX~~ Token Verified (Y/N) ☐ Approved: ~~XXXXXXXXXX~~

Bank Copy: Please Use When Bank
Note: This Copy is Not to be Used When Banked

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9/8/10 Deposit was Cash deposit -
no copy. 42.75 -

Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #	Capture Source
VPII	20100908	372701821	43700510	[REDACTED]	000039	4,275.00	4530147123	00910527

03727 Office AU #	11-24 1210(S)	CASHIER'S CHECK		0372701821
Purchaser: BELLEMONT WATER COMPANY, INC Purchaser Account: [REDACTED] Depositor ID: 22004648 22003006		Credit Copy September 08, 2010		
PAY TO THE ORDER OF ***TEVIS REICH*** ***RE: BELLEMONT WATER BRAD NESS***				
Four thousand two hundred seventy-five dollars and no cents		***\$4,275.00**		
WELLS FARGO BANK, N.A. 4850 N US HIGHWAY 89 FLAGSTAFF, AZ 86004 FOR INQUIRIES CALL (480) 394-3122		PROCESS SAME DAY AS ISSUED 03 03727 0780103 09/08/2010 -- 11:00:11AM VOID IF OVER US \$ 4,275.00 NON-NEGOTIABLE		

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Print Images

Page 1 of 1

Routing	Sequence #	Paid Date	Amount	Account	Serial	Capture Source
4530785136	10012010	\$1435.24		3025	00910527	

Withdrawal / Retiro:

(Check One / Marque Uno) ☒ Checking / Cuenta de Cheques ☐ Savings / Ahorros ☐ Money Market Access

Checking, Savings, Money Market Access account number /
Número de cuenta de Cheques, Ahorros, MMA

Date / Fecha 10/01/10

3025



Please print Name - / Letra de nombre: Nombre

Bradley Nass / Wellenut Water

Please print Street Address, City, State, Zip Code / Letra de dirección: Dirección, Ciudad, Estado, Código Postal

I authorize this withdrawal and acknowledge receipt of the amount indicated below. /
Yo autorizo este retiro y doy conocimiento de haber recibido la cantidad indicada abajo.
Please sign in teller's presence / Fírmalo en la presencia del cajero.
Two forms of ID may be required. / Se podrían requerir dos tipos de identificación.

x Brad Nass

\$ 1435.24

Dollars

\$ 1435.24


Bank Use Only (When SVT is Not Available)

TLR020 (05/05) version 10021777

CUSTOMER ID: Exp. date: Token Validated (✓) Approver:

Was Fingerprint Used When Bank?
Was Fingerprint Used When Bank?

Site	Paid Date	Serial	Routing	Account	PC	Amount	Sequence #	Capture Source
VPII	20101001	307807469	487500000	4011000100	000039	1,435.24	4530785135	00910527

03078 Office AU #	11-24 1210(S)	CASHIER'S CHECK		0307807469
Purchaser: BELLEMONT WATER COMPANY, INC				Credit Copy
Purchaser Account: 000000000				October 01, 2010
Operator ID: 00004575				
PAY TO THE ORDER OF		***PIONEER TITLE ***		
		***RE: BELLEMONT WATER, BRADLEY NESS ***		
One thousand four hundred thirty-five dollars and 24 cents				***\$1,435.24***
		PROCESS SAME DAY AS ISSUED		
WELLS FARGO BANK, N.A. 1200 S MILTON RD FLAGSTAFF, AZ 86001 FOR INQUIRIES CALL (480) 364-3122		07 03078 0250037 10/01/2010 9:32:11AM		VOID IF OVER US \$ 1,435.24 NON-NEGOTIABLE
				

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EXHIBIT 7

STANDPIPE

EXHIBIT 7

(Previous standpipe deposit 975.00 on 7-21-10)

Starting Number
7-23-10 4 p.m.
(Friday) →

179709

7-28-10 2:04 p.m. →

181228

Deposit should be →

<1519.00>

7-29-10 2:41 p.m.

181643

<435.00>

8-5-10 11:56 a.m.

182739

<1076.00>

Total so far that
should be deposited:

(3030.00)

8-16-10 12:52 p.m.

184951

(5242.00 total)

<2212>

8-17-10 4:19 p.m.

185146

<195>

(5437. total)

8-19-10

185616

(5907.00 total)

<470>

8-25-10 9:46 a.m.

186589

<973>

Total so far that
should be deposited:
as of 8-25-10

(6880.00)

8-20-10

\$7695.00

187404

8-31-10

12:19p. \$7975.00

187684

9-1-10

2:22p. \$8153.00

187862

9-2-10

11:52 \$8320.00

188029

9-6-10

12:49 \$9155.00

188864

9-7-10

11:17 \$9186.00

188895

Total that should be
deposited as of 9-7-10 :

\$9186.00

9-9-10

\$9,711

189420

9-28-10

\$1349.3

1:19pm.

193202

9-29-10

\$13558

11:25a.m.

193267

EXHIBIT 8

Bellemont Water Company

Transactions by Account

All Transactions

11:58 AM

10/13/10

Accrual Basis

Type	Date	Name	Memo	Debit	Credit	Balance
141.5 Note receivable - Brad						
Check	11/20/2006	Brad Ness	draw on account	200.00		200.00
Deposit	1/19/2007	Brad Ness	Deposit		764.18	-564.18
Deposit	1/22/2007	Brad Ness	Deposit		285.00	-849.18
Deposit	1/24/2007	Brad Ness	Deposit		7,200.00	-8,049.18
Deposit	1/24/2007	Benjamin Powers	help with aps bill		180.00	-8,229.18
Deposit	1/24/2007	Brad Ness	loan to BWC		4,000.00	-12,229.18
Deposit	2/8/2007		To record sale of land 1 A...	42,500.00 A		30,270.82
General Journal	9/12/2007		accidental dep. into wrong ...	1,700.00		31,970.82
Check	9/21/2007	Klaudia Ness	Deposit		8,700.00	23,270.82
Deposit	9/21/2007	Brad Ness	payback on Brad's loan to ...	924.04 B		24,194.86
Check	12/17/2007	Pioneer Title	payback on Brad's loan to ...	924.04 B		25,118.90
Check	1/18/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		26,042.94
Check	3/18/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		26,966.98
Check	4/18/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		27,891.02
Check	5/15/2008	Pioneer Title	payback on Brad's loan to ...	1,386.06 B		29,277.08
Check	6/25/2008	Pioneer Title	late pmt. and 1/2 pmt.	420.20 B		29,697.28
Check	6/30/2008	Pioneer Title	other half of pmt.	924.04 B		30,621.32
Check	7/31/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		31,545.36
Check	8/18/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		32,469.40
Check	9/25/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		32,919.40
Check	10/2/2008	Erik Ness	450.00	450.00		33,843.44
Check	10/22/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		34,767.48
Check	11/14/2008	Pioneer Title	payback on Brad's loan to ...	924.04 B		35,217.48
Check	12/18/2008	Erik Ness	450 repayment on Nona lo...	450.00		36,141.52
Check	4/10/2009	Pioneer Title		924.04 B		37,065.56
Check	5/18/2009	Pioneer Title		924.04 B		37,989.60
Check	6/18/2009	Pioneer Title		924.04 B		39,989.60
Transfer	7/2/2009		Funds Transfer/unauth. wit...	2,000.00	200.00	39,789.60
Deposit	7/2/2009	Erik Ness	partial pay back			40,713.64
Check	7/15/2009	Pioneer Title		924.04 B		41,913.64
Transfer	7/15/2009		Funds Transfer/ unauth. lo...	1,200.00		40,113.64
Deposit	7/13/2009	Erik Ness	payback on unauth. loan E...		1,800.00	38,913.64
Deposit	8/4/2009	Pioneer Title	This was taken out of Sch...		1,200.00	39,837.68
Check	8/22/2009	Pioneer Title		924.04 B		40,761.72
Check	9/23/2009	Pioneer Title		924.04 B		41,861.72
Check	10/2/2009		Funds Transfer/erik	1,100.00		149,861.72
Transfer	9/1/2010		Loan assigned to Bellemo...	108,000.00		163,419.72
General Journal	9/29/2010		Amount as of September ...	13,558.00		
Total 141.5 Note receivable - Brad				187,748.90	24,329.18	163,419.72
TOTAL				187,748.90	24,329.18	163,419.72

A: Note Receivable from Brad Ness of \$42,500.

B: All payments to Pioneer Title were for the Ness Family's personal indebtedness. These payments are summarized on the schedule shown on the following page of Exhibit 8.

Prepared By Staff
To Summarize Payments to Pioneer Title
For Benefit of Ness Family members

Exhibit 8
Page 2 of 2

DATE	AMOUNT
12/17/2007	\$ 924.04
1/18/2008	924.04
3/18/2008	924.04
4/18/2008	924.04
5/15/2008	924.04
6/25/2008	1,386.08
6/30/2008	420.20
7/31/2008	924.04
8/18/2008	924.04
9/25/2008	924.04
10/22/2008	924.04
11/14/2008	924.04
4/10/2009	924.04
5/18/2009	924.04
6/18/2009	924.04
7/15/2009	924.04
8/22/2009	924.04
9/23/2009	924.04
Total	\$ 16,590.92

Source: Exhibit 8, Page 1 of 2

EXHIBIT 9

ORIGINAL

January 10, 2011

RECEIVED

Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007
Attn: Docket Control


JAN 12 P 12: 22
AZ CORP COMMISSION
DOCKET CONTROL

Re: Docket No. W-02526A-10-0499

Arizona Corporation Commission
DOCKETED

JAN 12 2011

Klaudia Ness
7350 Hutton Ranch Rd.
Flagstaff, AZ 86004
928.220.0350

DOCKETED BY 

Dear Commission and All Relevant Staff Members:

I am personally responding in regard to the complaint received against the shareholders Brad Ness, Gloria Ness, Erik Ness, and Dianah Ness. I am in full agreement and acknowledgement of this complaint, and would like to take a moment to respond to the letter docketed on January 6, 2011, by the above mentioned shareholders of the Bellemont Water Company.

I would like to state that at the closing of the letter, my name, and my husband Elliott's name was on the letter. We did not have any knowledge of this letter until we found it on the ACC website, or any meeting being held, and our name should not have been on that letter. Also, allegations made against me are not true. I have given Brad Ness copies of Bellemont Water Documents as ordered by the court, and have not held any meetings regarding the company without them. Lastly, have not taken the company "hostage". I am merely doing my job, and am protecting the interests of the company. I have no interest in answering phone calls and listening to allegations as well as distasteful messages left on my phone by the Ness family.

The company has not changed with Erik Ness as president. The same method of operation is still continuing. Erik Ness has complete control of standpipe revenue, and has not made any deposits of that revenue that total over \$3000.00 since he took over as president in November, 2010. As a reminder, approx. \$25,000.00 in standpipe revenue is unaccounted for since they gained control of that revenue in July, 2010. Deposits of "unknown" origin...I assume standpipe monies, are being deposited into the general account, and are being used to pay the "new loan" through Bellemont Water Company. Erik Ness continues to pay his cell phone bill with the company money through the general account as well. If Erik Ness continues to have access to the company money, the funds will continue to be mishandled.

The prospective buyer may contact me directly regarding any information needed upon making a decision regarding the purchase of the company. I do not trust the Ness family with accessing the bank accounts as they have proven time and again the co-mingling of personal expenses with company expenses. It is clear that they have no regard for the orders and compliance issues set by the ACC by their actions and admittance of misusing standpipe and metered revenue.

I have explained to this family numerous times, that Bellemont Water Company has to be run according to NARUC guidelines as well as compliance through the ACC, and they have refused to do so.

It is my opinion that it would benefit Bellemont Water to be sold. I would hopefully maintain my position, and continue to help any new buyer move forward in the right direction. If it continues to be owned by the Ness family, the company will be run into the ground with complete disregard of the Arizona Corporation Commission. As they stated in their letter, "BWC is a very small and poor company trying to abide by big corporation laws." They truly have no idea how to run this company.

I am requesting that I maintain my position as secretary of Bellemont Water Company, and Brad, Erik, Gloria, and Dianah Ness be restricted from all bank accounts, and the standpipe revenue, and that the company be sold as soon as possible...much sooner than 90 days. It only means 90 more days of misuse of company funds.

Sincerely,

A handwritten signature in cursive script that reads "Klaudia Ness". The signature is written in dark ink and is positioned above the printed name.

Klaudia Ness, Secretary

EXHIBIT 10

See	Reading Amount	Time	Running number		
10-7-10	\$15023.00	4:49pm	194732		
10-9-10	\$15274.00	2:21p.m.	194983		
10-14-10	\$15878.00	10:12p.m.	195587		
10-15-10	\$15969.00		195678		
10-18-10	\$16120.00	11:49	195889		
11-2-10	\$18,112.00	12:30pm	197921		
11-4-10	\$18334.00	-	198048		
11-6-10	\$18843.00	11:37p.	198074		
11-7-10	18,493.00	12:12	198200		
11-12-10	19090.		198808		
11-15-10	Erik took over Standpipe & became president				
11-16-10	19570	11:11a	199007		
11-27-10	21130		200848		
11-30-10	21000	11:59	200955		
12/1/10	54	(Erik checked meter w/ the electric meter crew possibly day before)			

Date	READING / Time	Running Number
2-3-10	295 11:30 a.m.	201324
5-3-10	1149 11:45 a.m.	202178
6-3-10	312 checked again	202586
1-6-11	1311 reading 12:41 p.m.	20427
1-6-11	(*Approx. 3172 missing since Erik took over on Nov. 15; going by when we checked meter on 12-1-10)	
1-8-11	checked again by Erik 33 (reading) 12:47 p.m.	204160
1-13-11	382 (reading) 12:56 p.m.	204509
1-17-11	412	204941
1-21-11	556	205085
1-23-11	611 2:28 p.m.	205140
1-25-11	1094 1:01 p.m.	205623
1-29-11	1150 1:09 p.m.	205679

\$24,160.00

* Fern 723-10 - 11-29-10
(200848)

approx \$21,129 (Bona Vess
did not deposit)

* Fern 12-1-10 - 2-1-11
(200955) (200906)

approx 5051.00

EPIL-Nese did not
deposit.

Approx Total Not Deposited: \$26,190

note was cleared

Some time between 2-8 - 2-15.

On 2-15-11, the "reading" was

\$515.00. Subtract 207740 on 2-24

from 206000 and you get \$1734.00

subtract this amount from the

deposit of \$223 and you get \$519.00.

There was a \$46.00 discrepancy but

only \$1.00, since Elliott obtained

the key.

running
numbers

Reading / Time
1477 2:36 p.m.

1725

Gave Elliott the keys

515 ← 12:38 p.m.

DEPOSIT MADE!

2253.00

- 1724

519 difference

1426

11:47 p.m.

207740

206000

206254

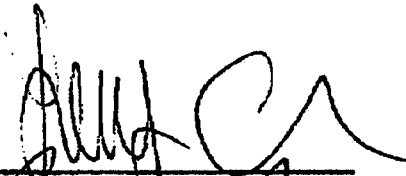
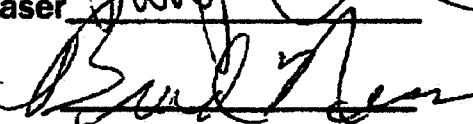
206829

EXHIBIT 11

Purchase Agreement**August 30, 2007**

This agreement serves as a purchase agreement between Lerry Oldaker, purchaser, and Bradley Ness, seller, regarding the sale of parcel# 204-02-001E, which is approximately one acre, for the amount of \$130,000.00 with a down payment of \$25,000.00 payable on 8-31-2007; leaving a balance \$105,000.00 due on or before September 14, 2007.

This agreement includes 200 tons of abc material delivered to the above property mentioned, on or before the date determined by the purchaser. This property is purchased knowingly "as is", and seller is not responsible for any other improvements with the acception of the material mentioned above.

Purchaser**Date**08-31-07**Seller****Date**08-31-07

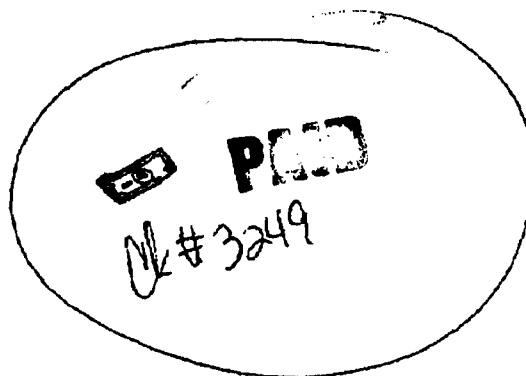
Bill History

10/14/2010 10:11 AM

Vendor	Bradley Ness		
Date Received	08/30/2007	Bill Due	08/30/2007
Bill No.	204-02-001E	Bill Amount	25,000.00
Memo			

Payments and Credits

Type	Date	Number	Amount	Bill Balance
Payment	08/30/2007	3249	-25,000.00	0.00



Bellemont Truck Repair & Towing, Inc.

Physical Address **Office - 4860 N. Ken Morey Drive, Suite #4**
Mailing Address **P.O. Box 16227**
 Bellemont, Arizona 86015

Phone Number **(928) 214-0700**
Fax Number **(928) 214-0800**

FAX TRANSMITTAL FORM

To: **Tony Cullum Law, P.C.**
Name: **Guy Echlund**
Phone: **774-0614**
Fax: **774-2082**

From: **Dawn**
Date Sent: **10/14/10**
Number of Pages: **4**

Guy,

This is all the information that I have on Bellemont Water Company. I have no copies of the checks but the history provided has the check numbers, date paid, and paid to Bradley Ness.

Any question call.

Dawn M. McGough
Dawn M. McGough
Secretary / Treasurer

Bill History

10/14/2010 10:11 AM

Vendor Bradley Ness
Date Received 09/14/2007
Bill No.
Memo

Bill Due 09/14/2007
Bill Amount 105,000.00

Payments and Credits

Type	Date	Number	Amount	Bill Balance
Payment	09/14/2007	3273	-105,000.00	0.00

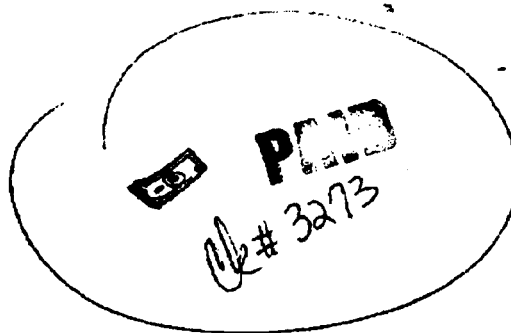


EXHIBIT 12

Official Records of Coconino County 3465709
 Candace Owens - Recorder 11/13/2007 04:46 PM Pgs: 3
 BRAD NESS 0 \$14.00

Leery Wayne Oldaker
 P.O. Box 16227
 Bellemont, AZ 86015

Above Space Reserved for Recording

[If required by your jurisdiction, list above the name & address of: 1) where to return this form; 2) preparer; 3) party requesting recording.]

Warranty Deed

Date of this Document: 11-13-07

Reference Number of Related Documents: _____

Grantor(s):

Name Bellemont Water Company
 Street Address P.O. Box 31176
 City/State/Zip Flagstaff, AZ 86003

Grantee(s):

Name Leery Wayne Oldaker
 Street Address P.O. Box 16227 / 11519 W. Cave Creek Dr.
 City/State/Zip Bellemont, AZ 86015

Abbreviated Legal Description (i.e., lot, block, plat, or section, township, range, quarter/quarter or unit, building and condo name): See exhibit A

Assessor's Property Tax Parcel/Account Number(s): 204-02-001E

For good consideration, nominal
 of amount agreed upon contract, County of Coconino
 State of Arizona, hereby bargain, deed and convey to Leery Wayne Oldaker
 of Bellemont, Arizona
 County of Coconino, State of Arizona, the following described land in
Coconino County, free and clear with WARRANTY COVENANTS; to wit: _____

Exempt A.R.S § 11-1134 B9

Grantor, for itself and its heirs, hereby covenants with Grantee, its heirs, and assigns, that Grantor is lawfully seized in fee simple of the above-described premises; that it has a good right to convey; that the premises are free from all encumbrances; that Grantor and its heirs, and all persons acquiring any interest in the property granted, through or for Grantor, will, on demand of Grantee, or its heirs or assigns, and at the expense of Grantee, its heirs or assigns, execute any instrument necessary for the further assurance of the title to the premises that may be reasonably required; and that Grantor and its heirs will forever warrant and defend all of the property so granted to Grantee, its heirs, and assigns, against every person lawfully claiming the same or any part thereof.

Being the same property conveyed to the Grantor by deed of _____, dated _____, 20 07.

WITNESS the hands and seal of said Grantor this _____ day of _____, 20 ____.

Brad Ness - President of
Grantor Bellmont Water, Co

Grantor

State of Arizona

County of Coconino

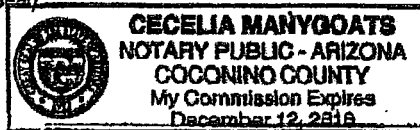
On Nov 13, 2007, before me, Cecelia Manycoats, personally appeared Bradley W Ness, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature [Signature]

Affiant _____ Known _____ Unknown _____
ID Produced AZ DL 809806312
E 4/22/10

(Seal)



_____ 11-13-07 A 10:00 AM

EXHIBIT 13

CORPORATE RESOLUTION
OF
BELLEMONT WATER COMPANY, INC.

I am the Secretary of the Bellemont Water Company, Inc., an Arizona corporation, as verified by the attached Arizona Corporation Commission corporate inquiry (Exhibit A).

This Resolution shall certify that Brad Ness is the President of the Bellemont Water Company, Inc. as verified by the corporate inquiry attached hereto as Exhibit A. This Resolution shall also certify that Brad Ness had the authority to sign the deed transferring ownership of the property identified as Coconino County Parcel No. 204-02-001E to Lerry Wayne Oldaker pursuant to the Deed attached hereto as Exhibit B, recorded in Instrument No. 3465709, records of Coconino County, Arizona.

DATED this 14th day of April, 2009.

By Klaudia Ness
Klaudia Ness, Secretary

EXHIBIT 14

Official Records of Coconino County 3571736
Candace Owens - Recorder 08/24/2010 03:47 PM Pgs: 7
TONY CULLUM E \$16.00

When Recorded, Return to:
Tony S. Cullum, Esq.
14 E. Dale Avenue
Flagstaff, AZ 86001

ACCESS AND UTILITY EASEMENT

GRANTOR:

BELLEMONT WATER COMPANY,
an Arizona Corporation

GRANTEE:

LERRY W. OLDAKER and DAWN MARIE
MCGOUGH, TRUSTEES OF THE LERRY W.
OLDAKER AND DAWN MARIE MCGOUGH
REVOCABLE LIVING TRUST DATED
MARCH 11, 2008, and REEFER 2, LLC, an
Arizona limited liability company, and their
successors and assigns, and/or any other
current owners of record as to the property
described on Exhibit B and Exhibit C and
their successors & assigns

In consideration of the sum of \$10.00 and other valuable consideration, receipt of which is hereby acknowledged, Grantor hereby grants to Grantee and their heirs, successors, and assigns, and reserves unto Grantor, a non-exclusive easement for ingress, egress, and public/private utilities, over, across and under the following described real property situated in Coconino County, Arizona:

(See easement Exhibits "A" and "A-1" attached hereto)

This easement shall run with the land and be for the benefit of Grantee's property described on Exhibit "B" and Exhibit "C".

DATED this 19th day of August, 2010.

BELLEMONT WATER COMPANY

By Brad Ness
Title: PresidentSTATE OF ARIZONA)
) ss.
County of Coconino)

The foregoing Easement was acknowledged before me this 19th day
of August, 2010, by Brad Ness, as
President of BELLEMONT WATER COMPANY, an Arizona corporation.

Bobbie Jean Tufts
Notary Public

My Commission Expires:

Aug 8, 2011

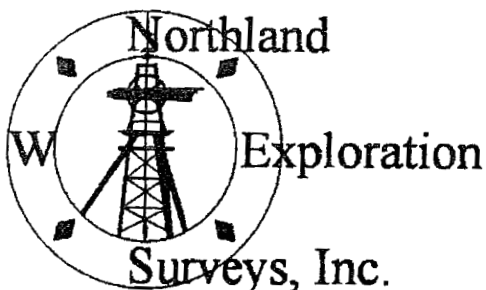


EXHIBIT "A"

LEGAL DESCRIPTION:

A parcel of land, said parcel being a portion of that parcel of land described in Docket 1502, Page 859 (R), situated in the Southeast 1/4 of Section 35, Township 22 North, Range 5 East, and the Northeast 1/4 of Section 2, Township 21 North, Range 5 East, Gila and Salt River Meridian, Coconino County, Arizona.

Beginning at the Southeast parcel corner of said Parcel (R), thence N 70° 12' 41" W, along the South parcel line of said Parcel (R), for a distance of 80.00 feet to a point;

thence N 64° 47' 13" E for a distance of 113.13 feet to a point on the East parcel line of said Parcel (R);

thence S 19° 47' 07" W, along said East parcel line, for a distance of 80.00 feet to the Point of Beginning,

said parcel contains 3,202 square feet, more or less, including any easements of record over the above mentioned parcel, as shown on EXHIBIT "A-1", which is made a part hereof by this reference.

NES # 07-108 002E EASEMENT



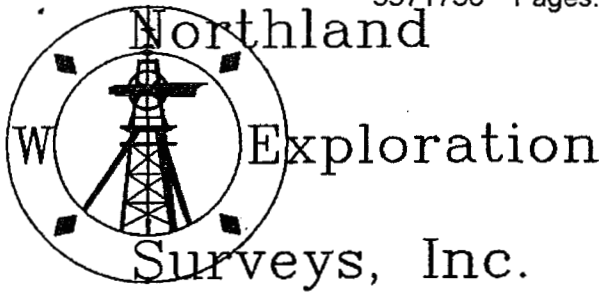
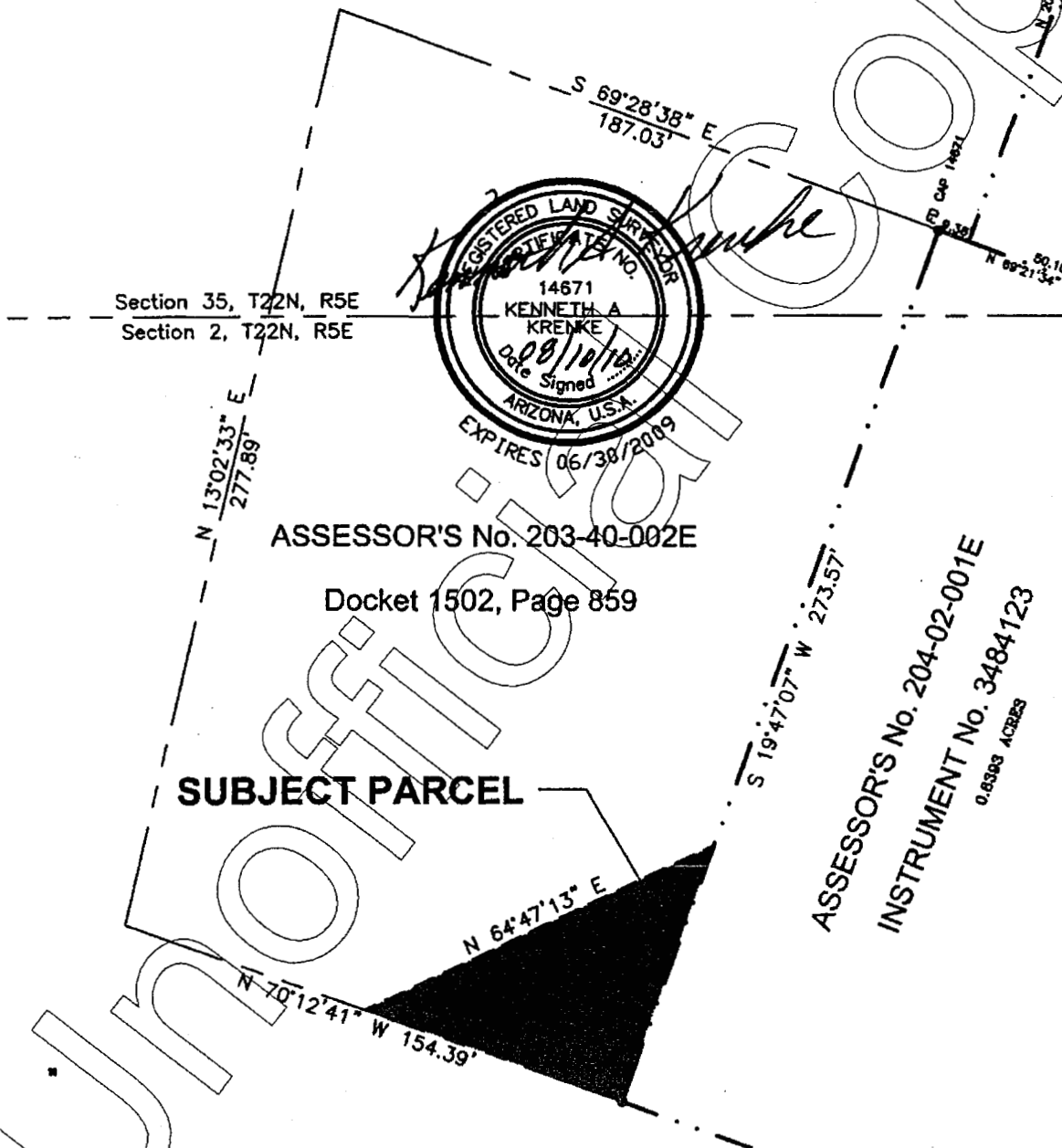


EXHIBIT "A-1"

A parcel of land, said parcel being a portion of that parcel described in Docket 1502, Page 859 of the Records of Coconino County, Arizona, situated in the Northeast $\frac{1}{4}$ of Section 2, Township 21 North, Range 5 East, and the Southeast $\frac{1}{4}$ of Section 35, Township 22 North, Range 5 East, Gila and Salt River Meridian, Coconino County, Arizona.



NES # 07-108 002E EASEMENT

Exhibit B

PARCEL NO. 1:

A portion of Section 35, Township 22 North, Range 5 East and Section 2, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, described as follows:

COMMENCING at the common corner to Section 35 and 36, Township 22 North, Range 5 East and Section 1 and 2, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona;

Thence North $89^{\circ} 54' 32''$ West, along the Township line of Townships 21 North and 22 North (which is the Basis of Bearings for this description), a distance of 2,035.57 feet;

Thence North $69^{\circ} 25' 20''$ West, a distance of 71.69 feet to the TRUE POINT OF BEGINNING;

Thence North $69^{\circ} 25' 20''$ West, a distance of 186.91 feet;

Thence South $13^{\circ} 05' 58''$ West, a distance of 277.98 feet;

Thence South $70^{\circ} 11' 11''$ East, a distance of 154.39 feet;

Thence North $19^{\circ} 48' 49''$ East, a distance of 273.58 feet to the TRUE POINT OF BEGINNING.

PARCEL NO. 2:

An easement for ingress, egress and utility purposes, created by instrument recorded in Docket 1624, Page 502, records of Coconino County, Arizona, being a portion of Section 35, Township 22 North, Range 5 East and Section 2, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, being 60.00 feet in width, lying 30.00 feet on each side of the following described centerline:

COMMENCING at the Southeast corner of the Northeast quarter of the Northeast quarter of said Section 2;

Thence South $89^{\circ} 59' 54''$ West, along the South line of the Northeast quarter of the Northeast quarter of said Section 2, a distance of 536.78 feet to a point on the Northerly right-of-way line of the A. T. & S. F. Railroad;

Thence along said line, North $70^{\circ} 10' 58''$ West, a distance of 3,028.86 feet to the common corner of Tracts 3 and 4, as shown on that certain "Record of Survey of Bellemont Properties", conducted by Northland Exploration Surveys, Inc., dated August 6, 1985;

Thence North $19^{\circ} 49' 33''$ East, along the common line of said Tracts 3 and 4, a distance of 441.06 feet to the TRUE POINT OF BEGINNING;

Thence South $70^{\circ} 10' 58''$ East, parallel to the North right-of-way line of the A. T. & S. F. Railroad, a distance of 1087.35 feet, and the TERMINUS of said easement.

PARCEL NO. 3:

An easement for ingress, egress and utility purposes, created by instrument recorded in Docket 1624, Page 502, records of Coconino County, Arizona, being a portion of Section 35, Township 22 North,

Range 5 East and Section 2, Township 21 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, being 60.00 feet in width, lying 30.00 feet on each side of the following described centerline:

COMMENCING at the Southeast corner of the Northeast quarter of the Northeast quarter of said Section 2;

Thence South $89^{\circ} 59' 54''$ West, along the South line of the Northeast quarter of the Northeast quarter of said Section 2, a distance of 536.78 feet to a point on the Northerly right-of-way line of the A. T. & S. F. Railroad;

Thence along said line, North $70^{\circ} 10' 58''$ West, a distance of 3,028.86 feet to the common corner of Tracts 3 and 4, as shown on that certain "Record of Survey of Bellemont Properties", conducted by Northland Exploration Surveys, Inc., dated August 6, 1985;

Thence North $19^{\circ} 49' 33''$ East, along the common line of said Tracts 3 and 4, a distance of 441.06 feet to the TRUE POINT OF BEGINNING;

Thence, continuing along said line, North $19^{\circ} 49' 33''$ East, a distance of 774.01 feet to the Southerly right-of-way line of Old U. S. Highway 66 and the TERMINUS of said easement.

Exhibit-C

A portion of a parcel of land situated in the Northeast quarter of Section 2, Township 21 North, Range 5 East and in the Southeast quarter of Section 35, Township 22 North, Range 5 East of the Gila and Salt River Base and Meridian, Coconino County, Arizona, more particularly described as follows:

FROM the Northeast corner of said Section 2, said point also being the Southeast Section corner of said Section 35;

Thence North $89^{\circ} 54' 32''$ West, along the Section line between said Section 2 and 35, a distance of 2,035.57 feet, to the TRUE POINT OF BEGINNING;

Thence North $69^{\circ} 04' 04''$ West, a distance of 12.18 feet to a point;

Thence North $69^{\circ} 25' 20''$ West, a distance of 59.51 feet to the Northeast corner of a parcel described in Docket 1502, Page 860, records of Coconino County, Arizona;

Thence South $19^{\circ} 48' 49''$ West, along the East line of the previously mentioned parcel, a distance of 273.58 feet to the Southeast corner of said parcel;

Thence South $70^{\circ} 11' 11''$ East, a distance of 134.13 feet to a point;

Thence North $19^{\circ} 48' 49''$ East, a distance of 271.33 feet to a point;

Thence North $69^{\circ} 04' 04''$ West, a distance of 62.46 feet to the TRUE POINT OF BEGINNING.

EXHIBIT 15

Bellemont Water Company

Minutes of Meeting

Date: 6-20-09

Time: 10:28 a.m.

In attendance: Brad Ness, Gloria Ness, Elliott Ness, Klaudia Ness, Erik Ness, and Dianah Ness

Meeting called to order at Little America dining room @ 10:28a.m.

Brad asked if anyone had any questions...No questions. Brad began by discussing the distribution of the Treasury stock, 38%, owned by Bellemont Water Company, obtained by purchasing the shares of Lorie Holly. His proposal is to distribute the stock evenly as a "bonus" among all the current shareholders which will equal 30%. Klaudia asked for clarification if it was Brad and his wife, Elliott and myself, and Erik and his wife. Brad's response was "Yes".

Brad further explained that this will leave 8%, purposely left in there for future purchase, but mostly for the benefit of Elliott and Klaudia in the event Brad and Erik are bought out. The buy out would include the shares of Brad and his wife, and Erik and his wife.

Brad also made mention of the stress in our family regarding our partnership in Bellemont Water, and agreed that himself and Erik will be bought out because of it.

Brad went on to say the possibilities for Bellemont Water Company. He made mention of improvements needing to be made.

Brad explained that it would be in the best interest of Elliott and Klaudia to obtain the shares owned by George Wong, who is the estimated 12% shareholder.

Brad also expressed his concern of how expensive Rodney Wilson's accounting is. Rebuttle from Klaudia explaining how much Rodney does for the company. Dianah mentioned "sowing good seeds" and followed up with hear say regarding Rodney Wilson's character. Klaudia Ness again spoke of his expertise, and ended with a no comment.

Brad made mention of the the McClain's balance we owed, and also the balance left by the McClains to Rodney Wilson which is 38k.

Brad then asked who all was in favor of the "bonus" stock. All ayes with one stipulation from Klaudia on behalf of herself and her husband Elliott. It has to be done legally, and in an orderly manner. She also explained that not doing things legally of this type of nature can come back in a bad way. Klaudia made mention about Brad's authority that told him to do this, and said it could be done. Klaudia's response was that this authority should have been present.

Meeting adjourned at approximately 11:45.